



# Annual Report 2014-2015



**PBNI**

Probation Board  
for Northern Ireland

**Probation Board for Northern Ireland Annual Report and Accounts  
For the year ended 31 March 2015**

*The Annual Report is laid before the Northern Ireland Assembly under paragraph 2 of Schedule 3 to the Probation Board (Northern Ireland) order 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 by the Department of Justice.*

*The Statement of Accounts and Report of the Comptroller and Auditor General is laid before the Northern Ireland Assembly under paragraph 2 of Schedule 3 to the Probation Board (Northern Ireland) order 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 by the Comptroller and Auditor General for Northern Ireland.*

*on*

*26 June 2015*

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## **CHAIRMAN'S FOREWORD**

This is the third annual report that I have the pleasure of presenting since taking up the post of Chairman of Probation Board for Northern Ireland in December 2012. One of the strengths of the Probation Board for Northern Ireland is the fact that the Board is comprised of community based public representatives, who provide independent leadership on strategic planning and oversight, and assist staff to work effectively and collaboratively with all communities. I would like to pay tribute to my Board colleagues for their commitment to the work of Probation, demonstrated through the active involvement of Board members in the work of the Board and their support and guidance to staff throughout the last financial year.

Over the last year PBNI implemented the first year of its Corporate Plan 2014-17 which set out the corporate vision and values of probation in Northern Ireland.

Our clearly defined purpose which is to 'change lives for safer communities' underpins everything we have done in the past 12 months.

This includes developing a restorative practice strategy, developing a hate crime policy, participating in policing and community safety partnerships and enhancing probation practice. In the last year we have made significant progress in developing probation's service to help rehabilitate and resettle offenders throughout Northern Ireland.

The reconviction data published in December 2014 shows clearly that probation is working. In overall terms, the one year proven reoffending rate for adults who were released from custody on probation supervision was 33%. The one year proven reoffending rate for adults who were released from custody without any statutory probation supervision was 48%. While there will be variations in offender characteristics and factors relating to variations in sentencing, this assumes that people released from custody on supervision to PBNI do not reoffend to the same level as those released without supervision.

This report does however underline the significant financial challenges we have faced over the last years and which we will continue to face going forward. PBNI's budget is around 1.7% of the overall budget of the Department of Justice. Since 2010, our budget has reduced overall by 8.6%. This is set against the backdrop of a workload which has been increasing since 2010. The budget for 2015-16 will see a further 9.2% reduction. PBNI has already responded to the current challenging budgetary environment by recognising the need to work differently and implementing new ways of maintaining probation statutory functions.

The Board has driven forward an Organisational Development programme which has focused on ensuring front line service delivery continues and reviewing our systems, structures and estate. There have been clear savings made through the implementation of this programme of work and in the next year we will review our business operating model through the workforce modernisation programme.

While we are making some changes to the way we deliver services the underpinning ethos and values of probation will not change. Those values of: respect for human dignity, recognising peoples' capacity to change, victim awareness, integrity & professionalism, equality & diversity and collaborative working remain key and are demonstrated by every staff member that I meet throughout PBNI.

The achievements outlined in this report would not have been possible were it not for the hard work, professionalism and integrity of probation staff. Every probation officer in NI is a social worker trained to the highest standard in risk assessment and risk management. Likewise the staff within the organisation who support those on the front line are dedicated and professional individuals who are committed to making communities safer.

On behalf of the Board I want to express our gratitude to the staff of PBNI for their continuing dedication, professionalism and commitment to changing lives for safer communities.

Finally I hope this report gives you a flavour of some of our work over the last 12 months and I have no doubt that in the next 12 months PBNI will continue to develop innovate and contribute positively to community safety.

**Vilma Patterson MBE**

**Chairman**

## **INTRODUCTION FROM THE (ACTING) DIRECTOR OF PROBATION**

The year 2014-15 has been a significant one for the Probation Board for Northern Ireland. This Annual Report reflects the progress that has been made in the last 12 months and demonstrates how we have met our objectives.

PBNI is the organisation responsible for managing and supervising the largest number of offenders in the community. At the end of March 2015 PBNI were supervising 4,395 offenders in the community and 1,270 subject to post custody supervision. These offenders are, or will be on release, supervised in relation to compliance against a wide variety of court orders, including probation orders; custody probation orders; combination orders; and community service orders. PBNI also supervise offenders released on licence from prisons.

At the core of all the work we undertake, probation is about reducing the risk of people becoming victims of crime, addressing offender behaviour, ensuring compliance to statutory supervision and rehabilitating and resettling offenders to reduce reoffending.

The year 2014-15 brought many challenges and pressures to an organisation which itself was undergoing considerable change. In a difficult financial environment, this report demonstrates that we met our financial targets and have delivered within budget for this year. To have achieved this and the level of performance is testimony to the professionalism and dedication of probation staff across the organisation.

The past year has also had many highlights including the PBNI Staff Awards held in the Long Gallery at Stormont and hosted by the Minister of Justice, David Ford MLA. The Chairman and I were delighted to congratulate staff celebrating long service and those who were successful in the Staff Awards.

There were also a number of external awards where PBNI excelled. Probation officer Michael Winnington was honoured by HRH The Princess Royal, the only member of staff from NI to receive a commendation from the Butler Trust. Probation Officer Margaret Wylie was also shortlisted for a Social Work Award. These awards demonstrate the high regard in which probation staff are held.

PBNI also held four successful staff days in June in locations in Belfast, Ballymena and Dungannon. The main aim of these days was to discuss how the organisation can continue to adapt and change within a reduced budget so as to ensure the delivery of quality services.



The annual meeting with Irish Probation Service colleagues took place at the end of May, Vivian Geiran, Probation Service Director, and I signed the Joint information sharing protocol in respect of the management of sex offenders and offenders assessed as Risk of Serious Harm. This is an important agreement and is evidence of the commitment of both organisations to north south cooperation. A significant north south Public Protection Advisory Group seminar was also held in Dublin in November where we launched the 11<sup>th</sup> edition of the jointly produced Irish Probation Journal.

In 2014 we also marked the one year anniversary of the official roll out of the Reducing Offending in Partnership (ROP) scheme involving the Probation Board for Northern Ireland, the Police Service of Northern Ireland, the Northern Ireland Prison Service and the Youth Justice Agency across Northern Ireland. This is a very successful scheme tackling prolific offenders who commit crime such as robberies, burglaries or thefts and who impact most upon the community.

I want to commend all members of staff for their efforts and achievements during the year, and acknowledge the support and commitment of my senior colleagues. I look forward to the next year as we continue to work together to change lives for safer communities.

**Cheryl Lamont**

**(Acting) Director of Probation**

## **STRATEGIC REPORT**

The Probation Board presents its Annual Report and Accounts for the year ended 31 March 2015. The accounts have been prepared in accordance with the accounts direction issued by the Department of Justice on 18 February 2015. This was issued in accordance with paragraph 2 of Schedule 3 to the Probation Board (Northern Ireland) Order 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

The accounts have been prepared in accordance with the 2014-15 Financial Reporting Manual (FReM). Note 1 to the accounts details any resultant changes to the Probation Board's accounting policies.

### **History and Statutory Background**

The Probation Board was established as a Non-Departmental Public Body (NDPB), under the Probation Board (Northern Ireland) Order 1982 in accordance with a recommendation in the Report of the Review Group on Legislation and Services for Children and Young Persons in Northern Ireland (1979), that the probation service in Northern Ireland should be separated from Central Government and become responsible to a community based Board. The first Board was appointed in December 1982. Each Board is of three years' duration and the current Board was appointed in December 2012.

The Board's functions are set out in the Probation Board (Northern Ireland) Order 1982. In addition, other legislation relating to probation activities is contained in the Criminal Justice (Northern Ireland) Order 1991, Criminal Justice (Northern Ireland) Order 1996, Criminal Justice (Northern Ireland) Order 2008 and the Criminal Justice (Children) (Northern Ireland) Order 1998, and in relevant amendments thereto.

Since 12 April 2010, when justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a Northern Ireland Department, the Probation Board has been an executive Non-Departmental Public Body of the Department of Justice.

The Permanent Secretary of the Department of Justice, who is the principal Accounting Officer of the Department of Justice, designated the Director of Probation as NDPB Accounting Officer for the Probation Board, with effect from 12 April 2010.

## Principal Activities

The Probation Board works at every stage of the criminal justice process – at court, in the community, in prisons, and with victims of crime through the Victim’s Unit. It prepares reports for court and the parole commissioners and supervises a range of orders and licences. It also provides programmes for offenders to prevent reoffending.

Probation works in, with and through communities in Northern Ireland, and has a presence in every county. In recent years it has allocated approximately £1million per annum, which is approximately 6% of its budget to provide grant funding to organisations which can provide services for adjudicated offenders. It also provides around 175,000 hours of unpaid work to the community through the community service scheme. Partnership work underpins everything that probation does and it works with statutory partners as well as organisations in the voluntary and community sector.

The Probation Board has both mandatory functions which it shall perform, and discretionary functions which it may perform with the approval of the Department of Justice.

The mandatory functions are to:

- secure the maintenance of an adequate and efficient probation service;
- make arrangements for persons to perform work under Community Service Orders;
- provide such probation officers and other staff as the Department of Justice considers necessary to perform social welfare duties in Prisons and Young Offender Centres; and
- undertake such other duties as may be prescribed.

The discretionary functions are to:

- provide and maintain probation hostels and other establishments for use in connection with the supervision and assistance of offenders;
- provide and maintain bail hostels;
- make and give effect to schemes for the supervision and assistance of offenders and the prevention of crime; and

- make arrangements with voluntary organisations or any other persons (including Government Departments and public bodies) to:
  - provide and maintain such hostels and other establishments as mentioned above; and
  - give effect to schemes for the supervision and assistance of offenders and the prevention of crime.

## Employees

The breakdown of FTE employee group by gender at the 31 March 2015 is as follows:

Employee group	Number of FTE employees at 31 March 2015	Gender
Director/Deputy Directors	3	1 Female, 2 Males
Senior Managers (other than Directors)	10.4	7.4 Females, 3 Males
All other employees	332.87	238.3 Females, 94.57 Males
<b>Total</b>	<b>346.27</b>	<b>246.7 Females, 99.57 Males</b>

## The Risk and Control Framework

Detail of the Probation Board's Risk and Control Framework is contained within the Governance Statement (pages 39 to 51).

## Corporate Plan

2014-15 was the first year of the 2014-17 Corporate Plan. It identified five strategic themes:

- Developing Probation Practice
- Engaging with Communities
- Working Effectively and Efficiently
- Rehabilitation through Collaborative Working and Partnership
- Northern Ireland Criminal Justice Strategy and Policy

## Funding

During 2014-15, the Probation Board was financed by a grant from the Department of Justice Request for Resources 1 (Supporting and developing an efficient, effective and responsive Criminal Justice System) the statutory authority being Article 7 (1) of the Probation Board (Northern Ireland)

Order 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

## Results for the year

The results of the Probation Board are set out on page 54, in the Statement of Comprehensive Net Expenditure. The deficit for the year transferred to General Reserve was £18,454k (2013-14 – deficit £20,845k). The main reason for the decrease is due to higher income, lower grants for community development and lower operating costs resulting in budgetary reductions in 2014-15. The Employer service costs including past service costs in 2014-15 are £2,886k (2013-14: £3,061k) which have reduced due a reduction in staff numbers.

In 2014-15 PBNI had net Department Expenditure Limit (DEL) operating costs of £17,745k which were £516k less than the net budget allocation of £18,261k. The capital spend of £480k was £164k less than the budget allocation of £644k. A comparison of net DEL operating costs against budget is summarised in table 1. A reconciliation of net expenditure from the Statement of Comprehensive Net Expenditure to DEL operating costs is set out in table 2.

**Table 1: Summary of Actual expenditure against budget**

	<b>2014-15 actual*</b>	<b>2014-15 budget*</b>	<b>Variance</b>	<b>Variance</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>%</b>
Net Operating Costs* (excluding depreciation)	17,387	17,661	274	1.55
Depreciation	358	600	242	40
<b>Net Operating Costs*</b>	<b>17,745</b>	<b>18,261</b>	<b>516</b>	<b>2.8</b>
Capital Expenditure	480	644	164	25
<b>Overall Total Expenditure</b>	<b>18,225</b>	<b>18,905</b>	<b>680</b>	<b>3.6</b>

\*Excludes Annual Managed Expenditure (AME costs). Reconciliation from Net Expenditure in the Statement of Comprehensive Net Expenditure to the DEL net operating costs which is measured against the DEL budget is as follows:

**Table 2: Reconciliation Net expenditure from Statement of Comprehensive Net Expenditure to DEL Net Operating Costs**

	<b>£k</b>
<b>Net Expenditure from Statement of Comprehensive Net Expenditure</b>	<b>18,454</b>
Exclude Current Service Cost (AME cost)	(2,664)
Include cash payment of provision (DEL cost)	2,184
Add back provision costs for year (AME cost)	50
Exclude pension borrowing costs (AME cost)	(246)
Exclude administration costs (AME cost)	(33)
<b>Net Operating Costs</b>	<b>17,745</b>

The Probation Board’s Statement of Financial Position shows net liabilities of £9,002k (2013-14 – restated net liabilities of £5,521k). The main reason for the increase of £3,481k is due to the NILGOSC pension liability. There was a decrease in the discount rate which contributed to an increase in the actuarial loss. Trade and other payables also increased largely relating to the timing of the March 2015 HMRC NIC payment and maintenance work carried out but not paid before year end. The pension liabilities have increased by approximately 16% to £98,901k for the Probation Board from 1 March 2014 to 31 March 2015; the breakdown of this is shown in Table 3:

<b>Table 3</b>	<b>£k</b>	<b>Percentage Change in Liability</b>
Defined Benefit Obligation 2014	<b>84,804</b>	
Interest on the obligation	3,618	-1%
Current service cost and admin cost	2,697	-5%
Contributions by members	601	-7%
Actuarial losses	8,911	-432%
Past service cost	222	-11%
Estimated benefits paid	(8)	0%
Estimated unfunded benefits paid	(1,944)	-1%
Liability 2015	<b>98,901</b>	17%

Details of all pension movements are contained at Note 14 to the accounts.

**Operating Performance in the year**

The Probation Board plays an important role at each of the key stages of the criminal justice process at court, in custody and in the community. As an effective part of the criminal justice system, the Probation Board helps to reduce levels of offending, prevent further victims of crime and also contributes to increasing community confidence in the Northern Ireland criminal justice system.

The main strands of the Probation Board's work are to:

- Assess convicted offenders and prepare approximately 8,700 reports annually, to assist decision-making in the criminal justice process
- Supervise approximately 4,400 offenders at any given time
- Provide a range of services to offenders in prisons
- Provide behavioural change programmes
- Offer a Victim Information Scheme
- Work with partner organisations to manage the risk posed by the most serious offenders as part of the Public Protection Arrangements.

Judges have a range of sentencing options available to them to deal with young people and adults who are found guilty of a criminal offence. These range from monetary disposals (such as fines), to community service which requires the completion of unpaid work, other sentences which are based in the community, to prison sentences which require a person to comply with licence conditions when released from custody.

When conducting its work, the Probation Board seeks to:

- Ensure that offenders keep to the requirements of their court order or conditions of a licence
- Challenge offenders to produce positive changes in behaviours and attitudes to reduce the likelihood of future offending
- Minimise harm to others and promote the safety of victims working in multi-agency risk management arrangements
- Promote responsible citizenship so that offenders will become better integrated into the community.
- Provide support to improve and safeguard the social well-being of individuals, families and communities.

The focus of all of the work undertaken by the Probation Board is to reduce offending and make communities safer.

The Probation Board supervises:

- Probation Orders
- Community Service Orders
- Combination Orders
- Custody Probation Orders
- Determinate Custodial Sentences
- Extended Sentences for Public Protection

- Indeterminate Sentences for Public Protection
- Juvenile Justice Centre Orders
- Licences
- Other Orders (e.g. Supervision and Treatment Orders and Community Responsibility Orders)

**Work Undertaken during 2014-15**

**Report Writing (Table 4)**

In 2014-15, the Probation Board provided 8,658 reports to assist decision making in the criminal justice process. The majority of these reports, some 4,885, were Pre-Sentence Reports to assist judges’ decisions regarding the types of sentences to give at criminal courts; courts were also provided with 1,418 addendum reports, while 572 reports were Short Pre-Sentence Reports, a shorter report for judges that is prepared more quickly by the Probation Board, either on the same day or within several days of the request being made (this report is primarily provided to magistrates courts). The majority of Pre-Sentence Reports and Short Pre-Sentence Reports completed during 2014/15 were provided to Magistrates’ Courts (74%), with almost one in four (23%) provided to Crown Court.

The quality of Pre-Sentence Reports is verified by managerial scrutiny against the requirements set out in the Probation Board’s Best Practice Framework, which incorporates Northern Ireland Standards giving clear guidance in relation to the timely supply of reports to courts. 94% of the Pre-Sentence Reports supplied by the Probation Board in the last 12 months were within required timescales, just below the target level of performance of 95-100% timeliness.

Table 4 provides a summary of the types of reports completed by the Probation Board over the past three years. The total number of reports completed has decreased by 16% in the last year. Provisional in-year statistics for 2014/15 from the Northern Ireland Courts and Tribunals Service indicate a decrease in the number of adults disposed at Magistrates and Crown Courts, which may explain this reduction.

**Table 4: Reports\* Completed: 2012-13 to 2014-15**

Type of Report	2012-13	2013-14	2014-15	% change 2014-15 on 2013-14
Pre-Sentence Report	5,565	5,877	4,885	-17%
Short Pre-Sentence Report	1,013	880	572	-35%
Addendum Report	1,288	1,406	1,418	+1%
Breach / Recall / Revocation Reports	1,834	1,680	1,432	-15%
Parole Commissioners / Unit Reports	166	94	28	-
Other**	222	387	323	-17%
<b>Total Reports</b>	<b>10,088</b>	<b>10,324</b>	<b>8,658</b>	<b>-16%</b>

- Percentage change is not shown as the denominator is less than 50.



\*All Report Types. Excludes explanatory letters to courts. \*\*Includes Home Circumstances Report, Probation Officer's Report,

## Court Orders

At 3,101, the number of new statutory orders added to the PBNI caseload between 1st April 2014 and 31st March 2015 was 21% lower than the number made in 2013/14 (3,919). As mentioned previously, this may be explained by the reduction in the number of adults disposed at Crown and Magistrates Courts throughout the year. The vast majority of those given an order at court requiring PBNI supervision were male (87%), while 13% were female.

In terms of the main community disposals, the number of Community Service Orders made in 2014/15 is 23% lower than in 2013/14, while the number of Probation Orders made is 20% lower. The number of new Determinate Custodial Sentences (DCS) made has decreased year on year for the first time since their introduction (-22%).

**Table 5: New Orders starting during the year: 2012-13 to 2014-15**

Type of Supervision		2012-13	2013-14	2014-15	% change 2014-15 on 2013-14
<b>Orders</b>	Combination Order	316	286	249	-13%
	Community Service Order	1,456	1,360	1,048	-23%
	Custody Probation Order	30	36	20	-
	Determinate Custodial Sentence	640	809	628	-22%
	Juvenile Justice Centre Order	45	70	55	-21%
	Probation Order	1,218	1,260	1,006	-20%
	Other Orders*	57	5	7	-
<b>Licences</b>	Life/Sentence Licence	10	10	8	-
	Sex Offender Licence	20	16	15	-
	GB Licence	21	16	29	-
<b>Public Protection Sentences</b>	Extended Custodial Sentence	50	44	31	-
	Indeterminate Custodial Sentence	9	7	5	-
	<b>Total Orders</b>	<b>3,872</b>	<b>3,919</b>	<b>3,101</b>	<b>-21%</b>
	<b>Total People**</b>	<b>3,558</b>	<b>3,584</b>	<b>2,849</b>	<b>-21%</b>

- Percentage change is not shown as the denominator is less than 50.

\*Includes Community Responsibility Order, Supervised Activity Order and Supervision & Treatment Orders. Please note that a Supervised Activity Order pilot project operated during 2012/13 which accounts for the higher figure for Other Orders in this year.

\*\*Please note that a person can receive more than one new order during the year. New Non-statutory cases are not included in these figures.

## Orders at a Point in Time

At the end of March 2015, there were 4,395 people subject to 4,761 court orders on the PBNI caseload (6% lower than the position twelve months previously). A breakdown of the types of orders on the PBNI caseload at 31 March 2015 is given in Table 6. Approximately three-quarters of people were allocated to PBNI teams in the community, with the remainder in custody.

In terms of the 3 main types of community order under supervision, the number Probation Orders under supervision has fallen by 10%, the number of Community Service Orders has fallen by 15% and the number of Combination Orders by 12%.

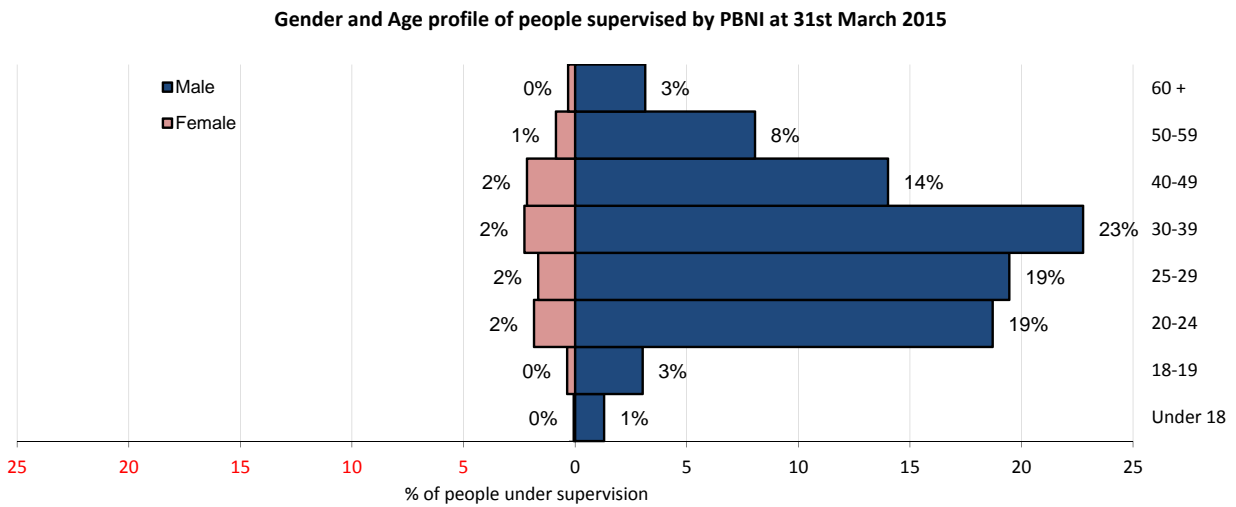
The number of Determinate Custodial Sentences on the caseload has increased slightly (+4%), however this lower rate of increase is in contrast to more substantial year-on-year increases seen in the years since this sentence was introduced as part of the new sentencing framework in the Criminal Justice (NI) Order 2008.

**Table 6: Orders at point in time: 31 March 2013 – 31 March 2015**

Type of Supervision		31 Mar	31 Mar	31 Mar	% change
		2013	2014	2015	31 Mar 2015 on 31 Mar 2014
<b>Orders</b>	Combination Order	346	347	306	-12%
	Community Service Order	862	775	660	-15%
	Custody Probation Order	221	141	96	-32%
	Determinate Custodial Sentence	1,130	1,497	1,562	+4%
	Juvenile Justice Centre Order	25	50	27	-46%
	Probation Order	1,565	1,566	1,408	-10%
	Other Orders*	19	4	6	-
<b>Licences</b>	Life/Sentence Licence	246	252	253	0%
	Sex Offender Licence	129	124	116	-6%
	GB Licence	47	45	60	-
<b>Public Protection Sentences</b>	Extended Custodial Sentence	152	185	207	+12%
	Indeterminate Custodial Sentence	23	31	32	-
<b>Non-statutory Sentences</b>	Inescapable Voluntary	26	24	23	-
	Remand/Sentence	54	9	5	-
<b>Total Orders</b>		<b>4,845</b>	<b>5,050</b>	<b>4,761</b>	<b>-6%</b>
<b>Total People</b>		<b>4,468</b>	<b>4,652</b>	<b>4,395</b>	<b>-6%</b>

- Percentage change is not shown as the denominator is less than 50. \* Includes Community Responsibility Order, Supervised Activity Order and Supervision & Treatment Order.

In overall terms, males account for the vast majority of those on the caseload (90% of the caseload). The chart provides a summary of the gender and age breakdown of PBNI's caseload at 31 March 2015.



### Victims Information Scheme

There were 104 new registrations to the PBNI Victims Information Scheme during 2014-15. At the end of March 2015 there were 235 victims registered on the Scheme.

### Performance against 2014-15 Business Plan Objectives

The Probation Board's three year Corporate Plan is delivered through a series of Annual Business Plans. Key organisational objectives for 2014-15 Business Plan and the year-end achievements are listed below. There were a total of 14 objectives and overall performance is described within the categories below:

**Green:** Achieved

**Amber:** Partially Achieved

**Red:** Not Achieved

**Lavender:** Beyond PBNI control

## ANNUAL SUMMARY

Strategic Theme	Green	Amber	Red	Lavender
Developing Probation Practice	2		1	
Engaging with Communities	3	1		
Working effectively and efficiently	2			
Rehabilitation through Collaborative Working and Partnership	3			
Northern Ireland Criminal Justice Strategy and Policy	1	1		
<b>TOTAL</b>	<b>11</b>	<b>2</b>	<b>1</b>	

- 11 business plan objectives were fully achieved
- 2 business plan objectives were partially achieved
- 1 business plan objective was not achieved

In respect of the objective not delivered and the two partially delivered; this was due to in-year reductions from PBNI's budget.

### Developing Probation Practice

Objective	Actions	Outcome
1. To equip PBNI staff to effectively supervise offenders within mental health disabilities in partnership with appropriate health services by March 2015	<ol style="list-style-type: none"> <li>14 Guidance Notes have been issued to staff.</li> <li>The pilot of 'New to Forensics' programme is complete with graduation ceremony for staff held on 26 March 2015.</li> <li>Training has been delivered to raise staff awareness of offenders with Learning disabilities.</li> <li>Intervention on emotional well-being has been developed for case managers.</li> <li>A draft DHSSPS and DOB Health Care Strategy has been drafted for consultation.</li> </ol>	Achieved
2. To review the provision of assessment reports	<ol style="list-style-type: none"> <li>Sentencer and PCNI surveys were conducted during the third quarter and following feedback to Sentencers and PCNI, recommendations will be implemented.</li> </ol>	Achieved

Objective	Actions	Outcome
to judges and Parole Commissioners	2. Regular practice liaison meetings have been held with the Offender Recall Unit and PCNI. 3. Ongoing review of PBNI caseload statistics have included trends in report demand and provision.	
3. To enhance probation practice by developing service user feedback mechanisms	1. Due to resource pressures (staff and funding) this Action was not delivered in 2014-15.	Not Achieved

**Engaging with Communities**

Objective	Actions	Outcome
4. To evaluate the use of volunteer mentoring in PBNI and determine future delivery options	1. Evaluation of options has been completed and preferred options agreed, but due to resource pressures (staff and funding), the internal trawl for a volunteer co-ordinator did not proceed in this financial year.	Partially Achieved
5. Through Policing and Community Safety Partnerships respond to local priorities to enhance community safety	1. PBNI were represented on all PCSPs and DPCSPs and responded in all 26 Council areas to local priorities to enhance Community Safety. PBNI has also contributed to Communication Strategy consultation on Belfast DPCSPs. 2. PBNI engaged in CJINI's inspection of PCSPs.	Achieved
6. To deliver the year 2 actions of PBNI's Communications Strategy	1. Acting Director's Communiques (7) have been issued to staff since August 2014 to enhance internal communications. 2. Six engagement meetings have been held with Union representatives as well as other thematic meetings. 3. Media Training procured and organised for key staff. 4. External Probation News designed, produced and issued to over 600 stakeholders in November 2014 and March 2015. 5. 16 meetings held with politicians in 2014-15 to raise awareness of PBNI and PBNI provided evidence to Justice Committee in February 2015. 6.	Achieved
7. To develop an implementation plan for PBNI's Restorative Justice Strategy and deliver year 1 actions	1. Delivery Group established to oversee the delivery of year 1 Actions. 2. An application for ARCs funding for an adult restorative pilot initiative in February 2015 was successful. 3. A PBNI staff member participated in the Winston Churchill Fellowship programme, focussing on adult restorative interventions in the USA. 4. PBNI have contributed to the NIPS Restorative Justice Steering group as required.	Achieved

**Working Effectively and Efficiently**

Objective	Actions	Outcome
8. To implement the findings of the Organisational Development work streams model and consider any potential or necessary structural changes	<ol style="list-style-type: none"> <li>1. PBNI's systems and processes have been reviewed and recommendations for change presented to Senior Management – Tranche 1 in July 2014 and Tranche 2 in March 2015.</li> <li>2. Dates for implementation of recommendations have been agreed.</li> <li>3. Practice updates were issued to staff in June and September 2014.</li> <li>4. Business cases in respect of the PBNI estate have been developed and approved.</li> <li>5. Regular engagement meetings have been held with Union representatives.</li> </ol>	Achieved
9. To develop an organisational IT strategy by March 2015	<ol style="list-style-type: none"> <li>1. The Organisational IT strategy was developed and approved by the Board in March 2015.</li> </ol>	Achieved

**Rehabilitation Through Collaborative Working and Partnership**

Objective	Actions	Outcome
10. To deliver on priorities identified in our estates strategy	<ol style="list-style-type: none"> <li>1. PBNI's Estates Strategy was fully refreshed. Notable outcomes include a reduction of PBNI's Estate from 32 properties to 23 properties.</li> </ol>	Achieved
11. To develop and pilot a new service delivery approach for young men leaving prison by March 2015	<ol style="list-style-type: none"> <li>1. PBNI has developed and implemented a pilot for a new service delivery approach for young men leaving prison.</li> </ol>	Achieved
12. To seek best value in the commissioning of services from voluntary and community sector organisations from April 2014	<ol style="list-style-type: none"> <li>1. The Community and Voluntary Sector Policy and Procedures were approved by the Board in October 2014.</li> <li>2. Further amendments were made in March 2015.</li> </ol>	Achieved

**Northern Ireland Criminal Justice Strategy and Policy**

Objective	Actions	Outcome
13. In line with organisational equality duties, review PBNI's approach to gathering equality monitoring information and develop our policy on hate related crime by March 2015	<ol style="list-style-type: none"> <li>1. The Hate Crime Policy was approved by the Board in March 2015.</li> <li>2. Due to resource pressures (staff and funding) a proposed Electronic solution for gathering equality data was not delivered in 2014-15.</li> </ol>	Partially Achieved
14. To plan and deliver integrated services, explore staff exchange and consider shared services in partnership with the Northern Ireland Prison Service	<ol style="list-style-type: none"> <li>1. A Prisoner Development Model was piloted within Hydebank and subsequently rolled out across the other two prison establishments.</li> <li>2. PBNI and NIPS have further explored and delivered joint staff training and staff secondment opportunities.</li> <li>3. PBNI and NIPS have jointly trained in the Building Better Relationships (BBR) Programme for Domestic Abuse.</li> </ol>	Achieved

**Future Developments**

This coming year 2015-16 will be the second year of the Probation Board's Corporate Plan spanning the years 2014-2017. This plan organises actions under five Strategic Themes designed to build on what has been achieved to date and further improve and develop services.

For the next two years, the Strategic Themes under which the Probation Board's work will be organised are:

1. **DEVELOPING PROBATION PRACTICE** - PBNI will seek to build on existing high performance in effective probation practice through a focus on innovation and development.
2. **ENGAGING WITH COMMUNITIES** - PBNI will serve the public in Northern Ireland by engaging with all communities and building confidence in our work with offenders.
3. **WORKING EFFECTIVELY AND EFFICIENTLY** - PBNI is committed to continuously strengthening the performance of our organisation while carrying out our responsibilities effectively and efficiently.
4. **REHABILITATION THROUGH COLLABORATIVE WORKING AND PARTNERSHIP** - PBNI will work collaboratively with partners in the public, voluntary, community and private sectors

to develop new ways of working to reduce offending.

5. **NORTHERN IRELAND CRIMINAL JUSTICE STRATEGY AND POLICY** - PBNI will actively contribute to the development and implementation of criminal justice strategy and policy with the Department of Justice, and other areas of the Executive’s responsibilities in Northern Ireland that impact on crime.

The following objectives have been set for the year 2015-16 under the five strategic themes.

**Table 7**

<b>STRATEGIC THEME</b>	<b>OBJECTIVES</b>
<b>Developing Probation Practice</b>	<ol style="list-style-type: none"> <li>1. Develop and implement a strategic approach to Service User engagement that better informs Probation Practice.</li> <li>2. To initiate and pilot a new approach to Interventions in line with the Organisational Development (OD) Programme of Work.</li> </ol>
<b>Engaging with Communities</b>	<ol style="list-style-type: none"> <li>3. Implement a delivery model for the use of volunteers.</li> </ol>
<b>Working effectively and efficiently</b>	<ol style="list-style-type: none"> <li>4. Develop and implement a workforce modernisation plan.</li> <li>5. Make recommendations for the appropriate policies to assist PBNI in conducting future business.</li> <li>6. To support PBNI staff through a continuing period of change.</li> <li>7. To develop an implementation plan for PBNI’s IT Strategy and deliver Year 1 Actions to support front line services</li> </ol>
<b>Rehabilitation through collaborative working and partnership</b>	<ol style="list-style-type: none"> <li>8. Explore opportunities to enhance and support Probation Practice.</li> </ol>
<b>Northern Ireland Criminal Justice Strategy and Policy</b>	<ol style="list-style-type: none"> <li>9. Engage with other Departments and Criminal Justice Organisations on common areas of work.</li> <li>10. In line with organisational equality duties, review PBNI’s approach to gathering equality monitoring information and promote good practice</li> </ol>



## **Prompt Payment of Suppliers**

The Probation Board's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier. Monthly statistics are uploaded by the Department of Justice through AccountNI. The prompt payment results for 2014-15 showed that 88% (79% for 2013-14) of invoices were paid within 10 working days following receipt of a properly rendered invoice. 97% (92% for 2013-14) of invoices were paid within 30 calendar days.

## **'Off-Payroll' Engagements**

PBNI had no off payroll engagements over the £58,200 threshold during 2014-15 (£nil in 2013-14).

## **Non-current Assets**

Non-current assets are valued at cost, adjusted as appropriate to reflect fair value. The estimated useful lives of assets are reviewed regularly and when necessary revised. There was £481k additions to non-current assets during the year. Movements in non-current assets are disclosed in notes 8, 9 and 10.

## **Health and Safety**

The Probation Board continues to pay special attention to the welfare of staff and service users, including matters relating to their health and safety.

## **Complaints**

As a public service, the Probation Board seeks to undertake its role and responsibilities in an open, transparent manner. Should there be occasions when someone wishes to express their dissatisfaction about the way the organisation has dealt with a particular matter, then the PBNI Complaints Policy and supporting Procedures can be used.

If a complainant remains dissatisfied at the end of the internal Complaints Procedure, they may refer the matter to the Ombudsman for independent consideration.

During 2014-15 the Probation Board received 45 complaints (2013-14 72 complaints), a considerable reduction from the previous year's figure. Complaints received were primarily in respect of issues pertaining to the supervision and requirements of court orders and disputes about the contents of written reports and assessments.

All complaints received were dealt with through local resolution; 7 complaints proceeded through the formal internal investigation stage. Of the 7 that proceeded to formal investigation 6 were not upheld, 1 had no further action. Of the 6 that were not upheld 4 then proceeded to the internal review stage. 3 complaints which were reviewed (stage 2 of PBNI's complaints handling process) were not upheld and are now closed and 1 is ongoing.

1 complaint received during the previous year 2013-14 has in 2014-15 proceeded to the Northern Ireland Ombudsman

## **Sustainable Development**

PBNI is committed to continuing its drive on sustainable development by promoting and maintaining a positive and inclusive culture amongst staff and stakeholders. Its aim is to foster governance and leadership in sustainability and work collaboratively to avoid and minimise adverse impacts of PBNI's activities on the environment and society, and reduce the PBNI's carbon footprint.

PBNI takes pride in its proactive approach to initiatives which have included continued participation in the Carbon Reduction Commitment Energy Efficiency Scheme. The NICS-wide contract for Recycling of Dry Office Waste is also being used by PBNI.

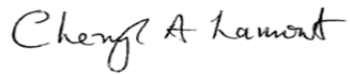
In February 2015 Central Procurement Directorate (CPD) issued a Procurement Guidance note PGN02/14 which enforces that procurement must be carried out in accordance with energy standards under Energy Efficiency Directive1 (EED) adopted by the European Union (EU). PBNI has adopted this guidance note.

During 2014-15, significant improvements were made to PBNI's property which contributed to increasing energy efficiency. This will result in a reduction of PBNI's overall carbon footprint and is also expected to produce financial savings.

## **Going Concern**

In compliance with International Accounting Standard (IAS) 19, the Probation Board has had to recognise a pension scheme liability of £9,573k on its statement of financial position (£6,804k in 2013-14). This year this has resulted in overall net liabilities of £9,002k (£5,521k in 2013-14). The Probation Board has paid pension contributions to NILGOSC in accordance with the scheme's specifications.

As the Probation Board will have the on-going support and funding of the Department of Justice, the net liabilities resulting from the pension scheme deficit will not affect the Probation Board's ability to fulfil its functions, and the Probation Board will be able to meet whatever contributions are necessary to comply with NILGOSC's plan to make good the pension scheme deficit. It is therefore appropriate for the Probation Board's accounts to continue to be prepared on a going concern basis.

A handwritten signature in black ink that reads "Cheryl A Lamont". The signature is written in a cursive style with a large initial 'C'.

**Cheryl Lamont**  
**(Acting) Director of Probation**  
**1 June 2015**

## **DIRECTORS' REPORT**

### **The Board**

The Director of Probation is responsible for the day to day operation and performance of the Probation Board. Details of Board members during 2014/15 are as follows:

Mrs V Patterson	Chairman
Mr R Mullan	Deputy Chairman
Mr D Brown	
Mrs J Erskine	
Mr E Jardine CB	
Mrs L Jennett	
Mr B McAllister*	
Mr T O'Hanlon	
Mrs M O'Rourke	
Ms P Shepherd	
Mr D Rose	
Dr M Wardlow	
Dr R Wilson	

\*Mr Brendan McAllister resigned on 13 February 2015.

Under The Probation Board (Northern Ireland) Order 1982, the Board shall consist of a Chairman, a Deputy Chairman and not less than 10 or more than 18 other members. Membership at 31 March 2015 stood at 12 (Chairman and 11 other members).

### **The Board Audit Committee**

The current members of the Board Audit Committee are:

Dr M Wardlow	Chairman
Mrs J Erskine	
Mr D Brown	
Mr E Jardine CB	
Mr B McAllister*	
Mr D Rose	

\*Mr Brendan McAllister resigned on 13 February 2015.

Other attendees of the meetings included representatives from Internal Audit, External Auditors, Department of Justice as well as the Acting Director of Probation, Deputy Directors of Operations, Head of Finance and Acting Board Secretary.

### **The Senior Executives**

The Probation Board's Senior Executives who served during the year were as follows:

Ms C Lamont	(Acting) Director of Probation
Mr P Doran	Deputy Director Operations

Mr H Hamill (Acting) Deputy Director Operations

### **Events since the end of the financial year**

On Monday 27 April 2015 the probation office at Crawford Square, Londonderry sustained fire bomb damage. The exact quantum of the damage is currently being assessed as is the level of threat assessment. There could be potential enhanced security measures required to this office, other offices and potentially greater security costs for staff.

### **Equal Opportunities**

PBNI recognises that all staff should be treated with respect and dignity in the workplace and as such, we are committed to providing a working environment that is free from discrimination, victimisation, harassment, bullying and inappropriate behaviour.

PBNI recognises that a policy in itself cannot ensure non-discrimination. This can only be achieved if staff, at all levels, critically examine their attitudes to people and ensure that no trace of discrimination is allowed to affect judgment or influence others to discriminate unfairly.

### **Policy Statement**

It is the policy of the Probation Board for Northern Ireland (PBNI) that, during the course of their employment, no employee will receive less favourable treatment or be discriminated against on the grounds of their sex including gender reassignment, pregnancy or maternity leave, marital or civil partnership status, sexual orientation, race or ethnic origin, religious belief, political opinion, national identity, age, or disability.

PBNI is opposed to all forms of unlawful and unfair discrimination. All job applicants, employees and others who work for us will be treated fairly and will not be unlawfully discriminated against (either directly or indirectly) or receive less favourable treatment on any of the above grounds. Decisions about recruitment and selection, promotion, training or any other benefit will be made on an objective basis and without unlawful discrimination. The PBNI is an equal opportunities employer and welcomes applications for employment from all suitably qualified candidates.

### **Equality and Diversity**

Section 75 of the Northern Ireland Act 1998 places a statutory duty on the PBNI to have due regard to the promotion of equality and good relations internally and externally. PBNI's Equality Scheme was

written following public consultation and approved by the Equality Commission for Northern Ireland in March 2012. This five year scheme contains commitments to greater engagement with our consultees and the mainstreaming of equality into our corporate business planning processes. PBNI has also published two action plans designed to promote greater equality of opportunity and better community relations in the delivery of our service.

The Probation Board operates a Good Relations working group which is responsible for providing oversight of PBNI's statutory equality duty, and focuses specifically on co-ordinating organisational efforts to build better relations between communities in Northern Ireland, addressing hate crime and promoting better team level engagement with good relations activities.

PBNI has gathered equality monitoring information on service users since 2010. This information is used by policy writers when developing or reviewing organisational policy. PBNI also gathers equality information on all nine equality categories as part of the staff recruitment process.

PBNI staff received Equality & Diversity training in relation to working with people with Mental Health disabilities and specific training in relation to cultural competence during 2014-15.

## **Employee Involvement**

The Probation Board maintains arrangements for regularly consulting employees so that their views may be taken into account in decision-making. Membership of two trade unions, the National Association of Probation Officers (NAPO) and the Northern Ireland Public Service Alliance (NIPSA), is available to all staff within the Probation Board. A Joint Negotiating and Consultative Committee, on which management and the two unions are represented, provides the formal consultative machinery for discussion of policy and other issues of concern to employees. In addition employees at all levels are kept informed of decisions taken by the Board and senior management, as well as of matters bearing on the performance of the organisation and directly on their terms and conditions of employment.

## **Financial risks**

Due to the non-trading nature of its activities and the way in which executive Non-Departmental Public Bodies are financed, the Probation Board is not exposed to the degree of financial risk faced by business entities. See note 25 for further detail.

## **Statement on Information Risk**

The Probation Board continues to monitor and assess its information risks, in order to identify and address any weaknesses and ensure continuous improvement of its systems. There were no incidents of loss of protected personal data within the Probation Board in the 2014-15 year which required to be reported to the Information Commissioner's Office. There were seven localised minor incidents which were thoroughly investigated, where the data was recovered/not inappropriately accessed.

The following Information Assurance training was delivered to PBNI staff by e-learning during 2014/15:

- New Government Security Classifications – all PBNI staff – April 2014
- Protecting Information Level 2 – all PBNI Information Asset Owners – October 2014
- Protecting Information Level 3 – PBNI's Senior Information Risk Owner – October 2014
- Responsible for Information – all PBNI staff – January 2015

Reminder memos have been issued to all staff on:

- Posting of information procedure
- Protectively marking emails
- Government Protective Markings Scheme Deskaid
- Procedures for returned post
- Security Audits
- Security of Personal Information – Moving/disposal of filing cabinets

## **Pension Liabilities and Remuneration**

The Probation Board is an employing authority within the scheme provided by the Local Government Pension Scheme (NI). Membership of the scheme is optional for employees. The accounts reflect the contributions payable to the scheme in the year 2014-15. For further information of senior executive remuneration and pension interests please refer to notes 1, 3, 14 and the Remuneration Report.

## **Registers of Interests**

In accordance with the Probation Board's Code of Practice for Members, a Register of Members' Interests and a Register of Senior Management Interests are maintained for Board Members and Senior Management respectively. The Registers are available for inspection on the Probation

Board's website and they are updated on a regular basis. Note 23 to the Accounts provides details of any relevant related party transactions.

### **Charitable Donations**

There were no charitable donations made by the Probation Board during the year.

### **Board Member Responsibilities**

The responsibilities of the Board Members are set out in the Probation Board's Management Statement and Financial Memorandum which was issued by the Department of Justice in December 2012.

### **Audit**

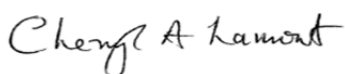
The financial statements for 2014-15 are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to Northern Ireland Assembly. His certificate and report is produced at pages 52 to 53.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements, was £11k (£11k in 2013-14). The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity took place during the year.

### **Sickness Absence Data**

The average day's sick absence per employee for the year 2014-15 was 11.8 days (11.6 days in 2013-14). The reduction of sickness absence levels remains a key priority for the Probation Board.



**Cheryl Lamont**

**(Acting) Director of Probation**

**1 June 2015**



## REMUNERATION REPORT

### Remuneration Policy

#### Board Members

The Chairman and other members of the Board are appointed by the Minister of Justice, in line with the Commissioner for Public Appointments “Guidance on Appointments to Public Bodies”. The Department of Justice determines the emoluments of the Chairman and Members.

#### Senior Executives

The senior executives of the Probation Board are employed by the Probation Board under terms and conditions of employment that are contained in collective agreements reached under the auspices of the Standing Committee for Probation Chief Officer Grades (England and Wales). The parties to the Standing Committee are the Probation Association, the National Probation Directorate, the GMB Society of Chief Officers of Probation (GMB-SCOOP) and the National Association of Probation Officers (NAPO).

Implementation of any agreement within the Probation Board is subject to the approval of the Department of Justice, given with the consent of the Department of Finance and Personnel.

In reaching its recommendations the parties to the Standing Committee have worked together to:

- Ensure that the pay system is fit for purpose and leads to higher quality service delivery
- Develop a fair and transparent pay and conditions structure which has the confidence and support of employees, employers and trade unions
- Assist the goal of building an excellent organisation with the right number of employees with the right skills and diversity, and organised in the right way
- Encourage working patterns which enable employees to achieve an acceptable balance between work and their private life
- Improve quality and availability of training and development opportunities to enhance service delivery and meet reasonable aspirations of employees
- Meet equal pay for work of equal value criteria, recognising that pay can be any benefit in cash or conditions
- Ensure implementation of new pay and conditions arrangements fairly and consistently across the service
- Ensure that the implementation of new pay and conditions arrangements is within financial and other constraints

- Ensure as far as possible that staffing and other resources are commensurate with workload.

### **Service contracts**

Appointments in the Probation Board are made in accordance with the Probation Board's Equal Opportunities Policy and with reference to the Equality Commission's Advice and Guidance. Unless otherwise stated, the officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the relevant Probation Board policies.

### **Board Remuneration Committee**

The Board has established a Remuneration Committee consisting of the Board Chairman, Board Deputy Chairman, the Chair of the General Purposes Committee and other members as the Board may appoint. The role of the Remuneration Committee is to assist in assessing the performance of the Director and dealing with any performance pay issues at Director and Deputy Director levels.

### **Salary and Pension Entitlements**

The following sections provide details of the remuneration and pension interests of the most senior management of the Probation Board.

**Remuneration**

**[AUDITED INFORMATION]**

					<b>2014-15</b>
<b>Name &amp; Title</b>	<b>Salary</b>	<b>Bonus Payments</b>	<b>Benefits in Kind (to nearest £100)</b>	<b>Pension Benefits **</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
Ms C Lamont <i>Acting Director of Probation</i>	85-90	-	1,300	65	150-155
Mr P Doran <i>Deputy Director Operations</i>	70-75	-	1,300	24	95-100
Mr H Hamill <i>Acting Deputy Director Operations</i>	65-70	-	1,300	16	80-85
<b>Band of Highest Paid Director's Total Remuneration</b>	<b>85-90</b>				
<b>Median total remuneration</b>	<b>31.40</b>				
<b>Ratio</b>	<b>2.78</b>				

					<b>2013-14</b>
<b>Name &amp; Title</b>	<b>Salary</b>	<b>Bonus Payments</b>	<b>Benefits in Kind (to nearest £100)</b>	<b>Pension Benefits **</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£100</b>	<b>£'000</b>	<b>£'000</b>
Mr B McCaughey* <i>Director of Probation From 1 April 2013 to 31 August 2013</i>	35-40 (90-95 full year equivalent)	-	500	65	100-105
Mr P Doran <i>Deputy Director Operations</i>	70-75	-	1,300	3	75-80
Ms C Lamont <i>Deputy Director Operations From 1 April 2013 to 31 August 2013 and Director of Probation from 1 September 2013</i>	80-85	-	1,300	75	155-160
Mr D van der Merwe <i>Deputy Director Finance and Corporate Services</i>	80-85	-	1,500	16	100-105
Mr H Hamill <i>Acting Deputy Director From 14 October 2013</i>	30-35 (65-70 full year equivalent)	-	700	67	95-100
<b>Band of Highest Paid Director's Total Remuneration</b>	<b>80-85</b>				
<b>Median total remuneration</b>	<b>30.20</b>				
<b>Ratio</b>	<b>2.89</b>				

\*The Director of Probation's remuneration for the period 1 September 2013 to 31<sup>st</sup> March 2014 is disclosed in the accounts of NI Prison Service to which organisation he has been seconded.

\*\*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

### Salary

'Salary' includes gross salary and any allowance to the extent that it is subject to UK taxation, but excludes travel lump sum and any bonus paid.

Mr Brian McCaughey was under the direction and control of the Northern Ireland Prison Service during the financial year. His salary and allowances were paid by the Probation Board and

reimbursed from the Northern Ireland Prison Service. These amounts have been disclosed in notes 2 and 3.

### **Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Those detailed in the table above relate to mileage expenses paid to senior managers in the Probation Board in line with National Negotiating Council for the Probation Service terms and conditions. These are higher than the amount allowable for tax (45p per mile) and are reported to the Inland Revenue as a taxable emolument.

### **Bonuses**

Bonuses are based on performance levels attained in accordance with SCCOG Chief Officer Terms and Conditions and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. Bonuses for the previous Director of Probation (Mr Brian McCaughey) are being reviewed for 2011-12, 2012-13 and 2013-14 and bonuses for the Acting Director of Probation (Ms Cheryl Lamont) are being reviewed for 2013-14.

### **\*Hutton Fair Pay Review Disclosure [AUDITED INFORMATION]**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Probation Board in the financial year 2014-15 was £85-90k - (2013-14 £85-90k). This was 2.78 times (2013-14 2.89 times) the median remuneration of the workforce, which was £31.4k (2013-14, £30.2k).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

**Pension Benefits**  
**[AUDITED INFORMATION]**

<b>Name &amp; Title</b>	<b>Total Accrued Pension as at 31/3/14 and related Lump Sum</b> <b>£'000</b>	<b>Real increase in Pension &amp; related Lump Sum</b> <b>£'000</b>	<b>CETV at 31/03/15</b> <b>£'000</b>	<b>CETV at 31/03/14</b> <b>£'000</b>	<b>Real increase in CETV</b> <b>£'000</b>
Ms C Lamont <i>Acting Director</i>	30-35 plus lump sum 75-80	2.5-5 plus lump sum 2.5-5	625	548	70
Mr P Doran <i>Deputy Director Operations</i>	25-30 plus lump sum 60-65	0-2.5 plus lump sum 0-2.5	487	445	37
Mr H Hamill <i>Acting Deputy Director Operations</i>	20-25 plus lump sum 50-55	0-2.5 plus lump sum 0-(2.5)	445	414	26

**The Cash Equivalent Transfer Value (CETV)**

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The Cash Equivalent Transfer Values (CETV) calculations have been calculated in accordance with guidance used by the Civil Service in Employer Notice EPN 12/2012.

CETV at 31/03/14 and CETV at 31/03/15 show the member's cash equivalent transfer value accrued at the beginning and the end of the reporting period. Real increase in CETV after adjustment for inflation and changes in market investment factors reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

There have been changes to the factors used to calculate CETVs from 1 January 2012. These changes are consistent with the new HM Treasury guidelines on the discount rate to be used for CETVs following the change in indexation from Retail Price Index (RPI) to the Consumer Price Index (CPI). The factors have also been changed to include the improvements to future mortality rates following the ONS 2008-based principal population projections. The change in factors may effectively reduce the CETV and this explains the negative real increases in CETV as noted in the table.

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Local Government Pension Scheme (NI) and for which the scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### **Board Members Remuneration and Expenses**

The Chairman and Board Members receive remuneration and expenses. The Board Members are appointed for a fixed term of 3 years. The Chairman received remuneration of £33,010 per annum paid at a monthly rate of £2,751. Board Members received remuneration of £5,050 per annum paid at a monthly rate of £420.83. The Chairman and the Board Members are not members of the Probation Board's pension scheme. Full details of Board Members' remuneration and expenses are in the table below.

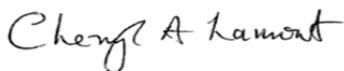
**[AUDITED INFORMATION]**

**\*\*Remuneration and Expenses  
£k**

Mrs V Patterson MBE	Chairman	30-35
Mr R Mullan	Deputy Chairman	5-10
Mr D Rose		5-10
Dr M Wardlow		5-10
Dr R Wilson		5-10
Mr D Brown		5-10
Mr E Jardine CB		5-10
Mr T O'Hanlon		5-10
Mrs J Erskine		5-10
Ms P Shepherd		5-10
Mr B McAllister*		5-10
Mrs L Jennett		5-10
Mrs M O'Rourke		5-10

\*Mr Brendan McAllister resigned on 13 February 2015.

\*\* These figures include an element of benefits in kind, relating to mileage expenses paid in line with DOE Local Government Policy circular LG 10/09. These rates are higher than the amount allowable for tax. The element which relates to home to office mileage is taxed at source and any additional business mileage is reported as a further taxable emolument to Inland Revenue.



**Cheryl Lamont  
(Acting) Director of Probation  
1 June 2015**



## **STATEMENT OF THE PROBATION BOARD FOR NORTHERN IRELAND'S AND THE ACTING DIRECTOR OF PROBATION'S RESPONSIBILITIES**

Under paragraph 2 of Schedule 3 to the Probation Board (Northern Ireland) Order 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Probation Board for Northern Ireland is required to prepare a statement of accounts in the form and on the basis determined by the Department of Justice with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must give a true and fair view of the Probation Board for Northern Ireland's state of affairs at the year end and of its income and expenditure, changes in Taxpayers' Equity, and cash flows for the financial year.

In preparing the accounts the Probation Board for Northern Ireland is required to:

- observe the accounts direction issued by the Department of Justice including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The principal Accounting Officer of the Department of Justice has designated the (Acting) Director of Probation as the Accounting Officer for the Probation Board for Northern Ireland. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Probation Board for Northern Ireland's assets are set out in Managing Public Money published by the HM Treasury.

## **GOVERNANCE STATEMENT 2014-15**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of governance and internal control to support the achievement of the Probation Board's policies, aims and objectives as set out in our three year corporate plan and associated annual business plans, whilst safeguarding the public funds and assets for which I am directly responsible. This is carried out in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Probation Board is a Non-Departmental Public Body sponsored by the Department of Justice; its statutory responsibilities are set out in the Probation Board (NI) Order 1982. The mandatory functions of the Board are to:

- secure the maintenance of an adequate and efficient probation service;
- make arrangements for persons to perform work under Community Service Orders;
- provide such probation officers and other staff as the Department of Justice considers necessary to perform social welfare duties in Prisons and Young Offender Centres; and
- undertake such other duties as may be prescribed.

The discretionary functions of the Board which it may enter into with the agreement of the Department of Justice are to:

- provide and maintain probation hostels and other establishments for use in connection with the supervision and assistance of offenders;
- provide and maintain bail hostels;
- make and give effect to schemes for the supervision and assistance of offenders and the prevention of crime; and
- make arrangements with voluntary organisations or any other persons (including Government Departments and public bodies) to:
  - provide and maintain such hostels and other establishments as mentioned above; and
  - give effect to schemes for the supervision and assistance of offenders and the prevention of crime.

More recent legislation outlining Board responsibilities include the Criminal Justice (Northern Ireland) Orders 1996, 2005 and 2008, while the requirements of PBNI as a designated organisation of Policing and Community Safety Partnerships are contained in the Justice Act (Northern Ireland) 2011.

The Probation Board plays an important role at each of the key stages of the criminal justice process at court, in custody, in the community and with victims of crime. As an effective part of the Criminal Justice System, the Probation Board helps to reduce levels of offending, prevent further victims of crime and also contributes to increasing community confidence in the Northern Ireland Criminal Justice System.

The main strands of the Probation Board's work are to:

- Assess convicted offenders and prepare approximately 8,700 reports to assist decision-making in the criminal justice process
- Supervise approximately 4,400 offenders at any given time
- Provide a range of services to offenders in prisons
- Provide behavioural change programmes
- Offer a Victim Information Scheme
- Work with partner organisations to manage the risk posed by the most serious offenders as part of the Public Protection Arrangements Northern Ireland.
- Work in local communities as designated members of Policing and Community Safety Partnerships.

Judges have a range of sentencing options available to them to deal with young people and adults who are found guilty of a criminal offence. These include monetary disposals (such as fines), community service which requires the completion of unpaid work, other sentences which are based in the community and sentences which require a person to comply with licence conditions when released from custody.

The Probation Board supervises people under:

- Probation Orders
- Community Service Orders
- Combination Orders
- Custody Probation Orders
- Determinate Custodial Sentences
- Extended Sentences for Public Protection
- Indeterminate Sentences for Public Protection
- Juvenile Justice Centre Orders
- Licences
- Other Orders (e.g. Supervision and Treatment Orders)

The work of PBNI is often complex, but can be summarised in five core elements:

- Ensuring sentence compliance
- Rehabilitation - challenging offending behaviours
- Reducing reoffending – by minimising harm
- Resettlement through promoting responsible citizenship
- Providing support through trained social work Probation Officers

All of the work conducted by the Probation Board seeks to reduce offending and make communities safer.

### **Purpose of the Governance Framework**

The Probation Board's governance framework sets out the arrangements for how the organisation is directed and controlled (incorporating behaviours, values, systems and processes) and how its responsibilities are discharged. It enables the setting of corporate objectives, the efficient deployment of resources towards the delivery of these priorities and monitoring of organisational performance. This governance framework is designed to manage risk to a reasonable level, rather than eliminate all risk of failure to achieve policies, aims and objectives; therefore it can only provide reasonable not absolute assurance of effectiveness.

### **The Governance Framework**

#### **(i) Sponsorship Arrangements**

Within the Department of Justice, Safer Communities Directorate, the Probation branch is the sponsoring branch for PBNI. The branch, in consultation as necessary with the Departmental Accounting Officer, is the primary source of advice and primary point of contact for PBNI. The sponsoring branch monitors PBNI's activities on a continuing basis through an adequate and timely flow of information from PBNI on performance, budgeting, control and risk management and keeps PBNI informed of relevant Executive/Government policy, advising on interpretation and issuing specific guidance as necessary.

On a quarterly basis, departmental officials meet with PBNI to review performance and the Board accounts annually for its performance to the Minister of Justice.

A Management Statement and Financial Memorandum document is in place between the Probation Board and Department of Justice. The Management Statement sets out the broad framework within which PBNI will operate, in particular:

- PBNI's overall purpose, objectives and targets in support of the DOJ's wider strategic aim(s) and the outcomes and targets contained in its current Public Service Agreement;
- The rules and guidelines relevant to the exercise of PBNI's functions, duties and powers;
- The conditions under which any public funds are paid to PBNI; and
- How PBNI is to be held to account for its performance.

The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which PBNI shall observe.

(ii) The Board

Probation is governed by the Probation Board. The Board Members are appointed on a fixed term of 3 years with the possibility of reappointment for a further period of 3 years. These appointments are made by the Minister of Justice in line with the Code of Practice issued by the Commissioner for Public Appointments.

The Board has corporate responsibility for leading and providing the strategic direction for the organisation, for developing the Corporate and Business Plans taking account of government policies, aims and objectives, for monitoring the organisation in the effective and efficient performance of its statutory duties and ensuring PBNI complies with statutory requirements for the use of public monies.

In terms of governance oversight, the Board has a specific responsibility, outlined in the Management Statement, to:

*'...ensure that any statutory or administrative requirements for the use of public funds are complied with; that PBNI operates within the limits of its statutory authority and any delegated authority agreed with the DOJ, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, PBNI takes into account all relevant guidance issued by DFP and DOJ.'*

The Management Statement requires all Board members to

- Comply at all times with the Code of Practice for PBNI Board members

- Not misuse information gained in the course of their public service for personal gain or political profit; and to declare publicly and to the board any private interests that may be perceived to conflict with their public duties
- Comply with PBNI rules on the acceptance of gifts and hospitality, and of business appointments;
- Act in good faith and in the best interests of PBNI.

With regard to declaring conflicts of interest, on an annual basis Board Members complete a register of interests form which is published via PBNI's website. Likewise, members of the Senior Management Team also complete an annual register of interests' declaration. At the preliminary stages of each Board and Committee meeting Members are asked whether they have any conflicts of interest to declare and this is recorded in the minutes.

Details of Board Members during 2014-15 are as follows:

Mrs V Patterson MBE	Chairman
Mr R Mullan	Deputy Chairman
Mr D Brown	
Mrs J Erskine	
Mr E Jardine CB	
Mrs L Jennett	
Mr B McAllister	(Resigned on 13 February 2015)
Mr T O'Hanlon	
Mrs M O'Rourke	
Ms P Shepherd	
Mr D Rose	
Dr M Wardlow	
Dr R Wilson	

The Board meets on a monthly basis to discuss and oversee matters of strategic significance, as set out in the Standing Orders and Management Statement and Financial Memorandum. All Board meetings held during 2014-15 were quorate with an overall attendance record of 82%. Table x below provides details of the number of Board and Audit Committee meetings attended by respective Board members in the course of the year.

There are two committees of the Board, the Audit Committee and the General Purposes Committee. The Board’s Standing Orders provide for a Remuneration Committee and an Emergency Committee, meetings of which are convened as required.

(iii) Audit Committee

In accordance with the Management Statement, PBNI has established an Audit Committee independent of the organisation’s structure. The Department of Justice and representatives from both PBNI Internal and External Auditors attend Audit Committee meetings. The responsibilities of the Audit Committee include:

- Review of the effectiveness of the risk management, control and governance arrangements;
- Review of the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing the organisation;
- Review the Annual Report and Statutory Accounts including the Governance Statement before submission to the Board;
- Review the reports from the Internal and External auditors;
- Review the adequacy of the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as issued by the sponsoring department and Government departments; and
- Monitor the implementation of agreed audit-based recommendations.

The Audit Committee had an overall 77% attendance rate in 2014-15.

The attendance of Board Members at Board and Audit Committee meetings during the twelve month period is provided in Table 8 below.

**Table 8: Board Member Attendance at Board and Audit Committee Meetings during 2014-15**

<b>Board Member</b>	<b>Number of Board Meetings</b>	<b>Number of Board Meetings Attended</b>
Mrs V Patterson MBE	11	11
Mr R Mullan	11	10
Mr D Brown	11	9
Mrs J Erskine	11	10
Mr E Jardine CB	11	11
Mrs L Jennett	11	11
Mr B McAllister*	10	8

Mr T O'Hanlon	11	7
Mrs M O'Rourke	11	7
Ms P Shepherd	11	6
Mr D Rose	11	6
Mr M Wardlow	11	10
Dr R Wilson	11	10

\*Mr Brendan McAllister resigned on 13 February 2015

<b>Audit Committee Member</b>	<b>Number of Audit Committee Meetings</b>	<b>Number of Audit Committee Meetings Attended</b>
Dr M Wardlow	6	5
Mrs J Erskine	6	6
Mr E Jardine CB	6	6
Mr B McAllister	5	2
Mr D Rose	6	4
Mr D Brown	6	4

(iv) General Purposes Committee

The role of the General Purposes Committee is to consider and report to the Board on such matters as may be referred to it by the Board. The General Purposes Committee also provides a forum for briefing members on the wider criminal justice context in Probation works and on key aspects of professional practice.

(v) Remuneration Committee

The Board's Remuneration Committee meet three times during the year.

(vi) Emergency Committee

The Board's Emergency Committee met once during the year to decide on the timing of the Community Grants allocations.

(vii) Special Board Meeting

There were three times during the year that a Special Board meeting was called to approve business cases.



(viii) The Accounting Officer

The Director of PBNI is designated as PBNI's Accounting Officer by the departmental Accounting Officer of the DOJ. The Accounting Officer is personally responsible for safeguarding the public funds for which she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of PBNI.

As Accounting Officer my principal accountabilities are to ensure that the Probation Board and its Committees are fully supported in developing and promoting a programme of work consistent with its founding legislation and the Northern Ireland Executive's Programme for Government 2011-2015. These are aligned to the priorities of the Minister of Justice, namely Faster, Fairer Justice; Safer, Shared Communities and a Reformed Prison and Youth Justice System.

On a six monthly basis, as Accounting Officer I provide stewardship statements to the Department of Justice Accounting Officer, based on receipt of appropriate assurance from Deputy Directors.

(ix) Internal Audit Arrangements

During 2014-15 DoJ Internal Audit provided the internal audit services within PBNI. In consultation with the Accounting Officer, DOJ internal Audit prepared a three year audit strategy, disaggregated into annual audit plans, for approval by the Audit Committee. The Audit Committee, on behalf of the Board, receives internal audit reports and approves management responses to recommendations arising from such reports.

(x) External Audit Arrangements

The Northern Ireland Audit Office is the Probation Board's external auditor.

(xi) Criminal Justice Inspection Northern Ireland (CJI)

The range of statutory functions and performance of Probation Board is subject to independent inspection by Criminal Justice Inspection Northern Ireland. PBNI fully participates in both organisation specific and thematic reviews to transparently account for its performance.

## **Risk Management and Internal Control**

As Accounting Officer, I ensure that the Probation Board manages risk at all levels in the organisation. PBNI's Risk Management Policy was approved by the Board in April 2012, and is available on PBNI's Intranet, making it readily available to all staff. This document, along with its supporting procedures, outlines the approach to identify and manage issues which threaten the achievement of the organisation's objectives, as well as the roles and responsibilities of staff in managing risk. PBNI's approach to risk management is governed by other formal documents such as the Management Statement and Financial Memorandum, as well as Dear Accounting Officer letters issued by the Department of Finance and Personnel.

As part of the annual business planning process, a risk workshop is conducted to construct PBNI's strategic risk register and populate departmental risk registers. At the beginning of the 2014-15 financial year, 7 risks were logged on PBNI's strategic risk register, 3 of which were rated red (assessed as high likelihood of occurring and if risk were to occur it would have a severe impact on the organisation). At the end of the 2014/15 financial year there were 9 risks, 1 of which was rated red. The Strategic Risk Register is approved by the Audit Committee on behalf of the Board, which provides scrutiny of the controls and actions to manage risk. These, in turn, are owned by Senior Managers. The Strategic Risk Register is brought to the full Board at a minimum of once per year.

As Accounting Officer I chair an Audit and Risk Management Group, which meets quarterly to review PBNI's Strategic Risk Register, consider escalation / de-escalation of risks between the departmental and strategic risk registers and conducts 'horizon scanning' for emerging risks. On provision of Stewardship Statements from Deputy Directors on a six monthly basis, I in turn provide a six monthly stewardship report to the Department of Justice Principal Accounting Officer.

The Board's annual Accountability Meeting with the Minister was held on 12 September 2014.

## **Review of the Effectiveness of the Governance Framework**

### **(i) Provision of information and data to the Board**

Board Meeting agendas and papers are circulated a week in advance to provide sufficient time and evidence for sound decision making. Agendas are planned, as set out in the Standing Orders, on the basis of an annual Board Work plan, to ensure that all areas of the Board's responsibilities are examined during the year. Monthly Board Meetings include consideration of the following standing agenda items:

- Committee Reports (where applicable)

- Monthly Financial Outturn
- Business Cases update
- Management Information, including workforce information, caseload statistics and updates on IT
- Programme and Projects update
- Programme of Visits and Business
- Policy Reviews

Audit Committee standing agenda items include:

- Review of the Strategic Risk Register
- Review of Internal Audit Reports
- Audit Control Log/Internal Audit/CJI/NIAO Recommendations
- CJINI Inspection Reports
- DFP Circulars/DAO and DFD letters

The quality of data received by the Board has improved during the year and this is under ongoing review to ensure that the Board's discussions are as effective as possible. A number of changes to information reporting have been made during the year, including the following:

- The content and layout of the finance report has been updated to ensure finance is better understood.
- The most recent up-to-date financial data is now provided to Board members each month with explanation of budget variances over £10,000.

#### (ii) Board Effectiveness

The Board carried out a detailed assessment of its effectiveness in 2014. The assessment was that the Board operates cohesively and effectively with a strong collective approach. A number of areas for development were noted and the Board has developed an action plan to progress this work, which will include a revised Committee structure.

#### (iii) Compliance with the Corporate Governance Code of Good Practice

In accordance with the Corporate Governance Code of Good Practice, a Management Statement and Financial Memorandum is in place between the Department of Justice and PBNI which sets out the framework within which PBNI operates. The Board's Code of Good Practice was updated in November 2014 in line with the Code of Conduct for Board Members of Public Bodies from the Department of Finance and Personnel.

#### (iv) Ministerial Directions

There were no Ministerial Directions sought or issued during 2014-15.

#### (v) Highlights of the PBNI Board and Committee Reports

The standing agenda items for PBNI Board meetings have been listed above. In addition, the Board considered the following items in 2014-15:

- Policies approved by Board
  - Hate Crime policy
  - Victims Policy
  - Community Grants policy 2015-2018
  - Disclosure of information Regarding commission of Offence policy
  - Management of information policy
  - Procurement policy
  - Equal opportunities policy
  - Substance abuse policy
  - Retirement policy
  - Health and safety policies
  - Secondment of PBNI Employees policy
  
- Organisational Development Programme – Estates Strategy, Practice update, Senior Management review, Systems and Processes and Staff Engagement
- IT Strategy
- Business plan 2015-16
- Estates review - closure of offices
- Business cases
- Allocation of Community Development grants
- Strategic Issues and Alliances
- Revised Delegated Limits
- Disability Action Plan
- In year savings 2014-15
- Programme and Project cases
- Section 75 Annual progress report

The standing agenda items of the Audit Committee are also listed above, but the committee considered a number of other issues throughout the course of the year including:

- Electronic Appraisal system
- Fraud and write-offs update
- Procurement
- Delegated Financial Limits
- Health and Safety Action Plan
- Evaluation of External Audit Services
- Finance training to Board members

(vi) Achievements

During the year 2014-15 PBNI received substantial assurance on four internal audit reports (Creditors Payments, Administration of Grants, Management Accounts and Managing Attendance) and satisfactory assurance on four internal audit report (Travel and Subsistence (staff), Annual Accounts, Direct Award Contracts, Business Continuity). The recent review on the Case Management system received limited assurance. PBNI are working towards implementing all of the recommendations from these reports.

There were no specific Criminal Justice Inspection NI (CJINI) led PBNI audit inspections in 2014-15. PBNI have however participated in a number of thematic inspections during 2014-15, these include:

- The impact of the abuse of alcohol on the Criminal Justice System
- The impact of recall to prison on the Criminal Justice System
- Victim and Witnesses
- Lifer Inspection
- Prison Review Team Oversight

In 2014/15 budgets were delegated to business areas to ensure that expenditure is properly and effectively managed. All budget managers receive a monthly finance report showing variances which are reviewed by Finance.

### **Significant Internal Control Issues**

Effective governance arrangements and oversight are maintained to ensure appropriate and timely responses to such issues that arise. During the year PBNI have been addressing the following issues:

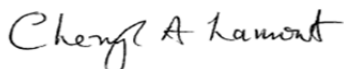
- PBNI have been paying NILGOSC pension contributions and associated National Insurance contributions on behalf of a number of administrative staff. A business case was approved by DOJ and DFP. Negotiations with Unions are currently taking place.
- During 2014-15 HMRC reviewed PBNI income and confirmed that income from secondments that are carried out under statute or any special legal regime are outside the scope of VAT however there were two secondments which were liable to VAT. HMRC have confirmed that PBNI should therefore be registered for VAT from 1 April 2014. PBNI are currently working with HMRC and DOJ to register for VAT on those secondments liable to VAT and have accrued VAT liability and charges of £31k in 2014-15 (note 12).
- A recent internal audit review of PBNI's Case management system received limited assurance. The current system has become inflexible and out of date and as such does not meet the needs of PBNI in terms of client management, functionality and management reporting requirements. Substantial work is required in order to provide a case management system which is fit for purpose. PBNI are discussing options with DOJ to provide a new case management system.

### **Internal Auditor Statement on Assurance**

In their Annual Assurance Report, the Probation Board's Internal Auditors reported that, on the basis on findings from work undertaken in 2014-16 and in previous years, have concluded that the risk management, internal control and governance arrangements within PBNI are 'Substantial'.

### **Conclusion**

This Governance Statement has been reviewed and accepted by both the Audit Committee and the Board. I can provide satisfactory assurance on the effectiveness of the Probation Board's internal control environment. I confirm that an action plan to ensure continuous improvement to the systems is on-going. It is evidenced by the programme of work undertaken by the Audit and Risk Management Group, the Senior Management Team and the Audit Committee and this work will continue in 2014-15.



**Cheryl Lamont**

**(Acting) Director of Probation**

**1 June 2015**

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Probation Board for Northern Ireland for the year ended 31 March 2015 under the Probation Board (Northern Ireland Order) 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Probation Board for Northern Ireland, the Director of Probation and auditor**

As explained more fully in the Statement of the Probation Board for Northern Ireland's and the Director of Probation's Responsibilities, the Probation Board for Northern Ireland is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Probation Board (Northern Ireland Order) 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Probation Board for Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Probation Board for Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Probation Board for Northern Ireland's affairs as at 31 March 2015 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with the Probation Board (Northern Ireland Order) 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Justice directions made under the Probation Board (Northern Ireland Order) 1982 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010; and
- the information given in the Director's Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

### **Report**

I have no observations to make on these financial statements.



*KJ Donnelly  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU*

*19 June 2015*



**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
for the year ended 31 March

	Note	2014-15 £'000	2013-14 £'000
<b>Expenditure</b>			
Staff Costs	3	15,098	16,622
Grants for Community Development	4	1,190	1,295
Depreciation	8&9	358	462
Other operating costs	5	3,931	4,529
<b>Total Expenditure</b>		<u>20,577</u>	<u>22,908</u>
<b>Income</b>			
Income from Activities	2	(2,118)	(2,073)
<b>Total Income</b>		<u>(2,118)</u>	<u>(2,073)</u>
<b>Net Expenditure</b>		18,459	20,835
<b>Interest</b>			
Interest Payable	6	-	13
Interest Receivable	6	(5)	(3)
<b>Net Expenditure after interest</b>		<u>18,454</u>	<u>20,845</u>
<b>OTHER COMPREHENSIVE EXPENDITURE</b>			
Net (gain)/loss on revaluation of Property, Plant and Equipment	8&9	(66)	51
Actuarial Pension Liability increase/(decrease)	14	2,011	(4,700)
<b>Total Comprehensive Expenditure for the year</b>		<u>20,399</u>	<u>16,196</u>

All amounts above relate to the continuing activities of the Probation Board.

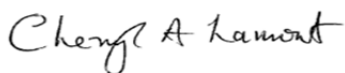
The notes on pages 58 to 94 form part of the accounts.

**STATEMENT OF FINANCIAL POSITION**  
as at 31 March

	Note	2015 £'000	2014 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	8	2,478	2,343
Intangible assets	9	90	50
Financial assets	7	20	28
<b>Total non-current assets</b>		<u>2,588</u>	<u>2,421</u>
<b>Current assets:</b>			
Assets classified as held for sale	10	75	80
Trade and other receivables	11	537	466
Financial assets	7	20	24
Cash and cash equivalents	18	27	28
<b>Total current assets</b>		<u>659</u>	<u>598</u>
<b>Total assets</b>		<u>3,247</u>	<u>3,019</u>
<b>Current liabilities:</b>			
Cash and cash equivalents	18	(83)	(494)
Trade and other payables	12	(2,463)	(1,060)
Provisions for liabilities & charges	13	(130)	(182)
<b>Total current liabilities</b>		<u>(2,676)</u>	<u>(1,736)</u>
<b>Non-current assets plus/less net current assets/liabilities</b>		571	1,283
<b>Non-current liabilities</b>			
Pension commitments	14	(9,573)	(6,804)
<b>Total non-current liabilities</b>		<u>(9,573)</u>	<u>(6,804)</u>
<b>Assets less liabilities</b>		<u>(9,002)</u>	<u>(5,521)</u>
<b>Taxpayers' Equity</b>			
General Reserve		(9,779)	(6,286)
Revaluation reserve		777	765
		<u>(9,002)</u>	<u>(5,521)</u>

The notes on pages 58 to 94 form part of the accounts

The financial statements on pages 54 to 94 were approved by the Board and were signed on its behalf by:



**Cheryl Lamont**  
**(Acting) Director of Probation**  
1 June 2015

**STATEMENT OF CASH FLOWS**  
for the year ended 31 March

	Note	2014-15 £'000	2013-14 £'000
<b>Cash Flows from operating activities</b>			
Net (expenditure) after interest		(18,454)	(20,845)
Adjustments for non-cash transactions	17	3,490	4,095
(Increase) in trade and other receivables		(71)	(58)
Increase in trade and other payables		1,403	(1,276)
Use of provisions		(2,406)	(2,613)
Payables movement on non-current assets		(344)	15
		<u>2,072</u>	<u>163</u>
<b>Net cash outflow from operating activities</b>		<b>(16,383)</b>	<b>(20,682)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	16	(75)	(173)
Purchase of intangible assets	16	(62)	(47)
Proceeds from disposal of property, plant and equipment		-	69
Loans to employees for car loans		(17)	(45)
Repayments of Loans		29	22
<b>Net cash outflow from investing activities</b>		<b>(125)</b>	<b>(174)</b>
<b>Cash flows from financing activities</b>			
Grants from DoJ		<u>16,918</u>	<u>21,643</u>
<b>Net financing</b>		<b>410</b>	<b>787</b>
Net increase in cash and cash equivalents in the period		410	787
Cash and cash equivalents at the beginning of this period		(466)	(1,253)
Cash and cash equivalents at the end of this period		<u><b>(56)</b></u>	<u><b>(466)</b></u>

The notes on pages 58 to 94 form part of the accounts

**STATEMENT OF CHANGES IN TAXPAYER'S EQUITY**  
for the year ended 31 March

	General Reserve	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000
<b>Balance at 31 March 2013</b>	(11,854)	886	(10,968)
Net (loss) on revaluation of property, plant and equipment	-	(51)	(51)
Actuarial gain	4,700	-	4,700
Release of reserves to the net expenditure account	70	(70)	-
Comprehensive net expenditure	(20,845)	-	(20,845)
Grant from parent department	21,643	-	21,643
<b>Balance at 31 March 2014</b>	(6,286)	765	(5,521)
<b>Changes in taxpayers' equity for 2014/15</b>			
Net (loss) on revaluation of property, plant and equipment	-	66	66
Actuarial gain	(2,011)	-	(2,011)
Release of reserves to the net expenditure account	54	(54)	-
Comprehensive net expenditure	(18,454)	-	(18,454)
Grant from parent department	16,918	-	16,918
<b>Balance at 31 March 2015</b>	<b>(9,779)</b>	<b>777</b>	<b>(9,002)</b>

The notes on pages 58 to 94 form part of these accounts

## **NOTES TO THE ACCOUNTS**

### **1. STATEMENT OF ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by DFP. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Probation Board for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Probation Board are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### **1.1 Accounting Convention**

The financial statements are prepared under the historical cost convention modified to accounts for the revaluation of property, plant and equipment and intangible assets. The accounts are stated in sterling, which is the Probation Board's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

The accounts are prepared in accordance with the accounts direction issued by the Department of Justice on 18 February 2015 for year ended 31 March 2015.

Without limiting the information given, the accounts meet the accounting and disclosure requirements issued by HM Treasury and the Department of Finance and Personnel, with particular regard to the Government Financial Reporting Manual (FReM) and other relevant guidance in so far as those requirements are appropriate.

#### **1.2 Advances to Probation Offices**

All advances to offices are also treated as receivables balances in the statement of financial position.

#### **1.3 Department of Justice Grant**

Grant income in respect of revenue and capital expenditure is credited to the General Fund in accordance with guidance contained in the FReM.

### 1.4 Value Added Tax

The Probation Board is not registered for Value Added Tax. All transactions are therefore stated gross of VAT. PBNI will be registered for VAT on secondment income from 1 April 2014. PBNI are currently progressing with HMRC and have accrued VAT liability and charges for 2014-15 of £31k (note 12).

### 1.5 Income

Income represents services provided to the Probation Board’s customers both in the public and private sectors as invoiced or transfer from government grant reserve or donated asset reserve.

### 1.6 Non-Current Assets – Tangible and Intangible

The thresholds for non-current assets adopted by Probation Board are given below.

CATEGORY	METHOD OF RECORDING	THRESHOLD	ESTIMATED USEFUL LIVES
Land	Individual	£ Nil	Freehold – Infinite Leasehold – Length of Lease
Buildings and dwellings	Individual	£ Nil	Freehold – 20 to 100 years Leasehold – Length of Lease
Motor Vehicles	Individual	£1,000	5 years
Furniture and fittings	Individual	£500	10 years
Plant and machinery	Individual	£500	5 years
Office machinery and equipment	Individual	£500	5 years
Computer hardware Telecoms and networks	Individual	Attractive items of value normally in excess of £100	5 years
Computer software and licences (Intangible)	Individual	£5,000	5-7 years

#### Method of Recording.

Non-current assets are capitalised individually in asset register rather than capitalised as a group of assets.

#### Threshold.

Expenditure in each category is capitalised and included in asset register if equal to or greater than the threshold value indicated for each category.

## **Measurement and Valuation**

All tangible and intangible non-current assets are carried at fair value.

The estimated useful lives of assets are reviewed regularly and when necessary revised. Land and assets in the course of construction are not depreciated. Depreciation is provided on a straight line basis in order to write off the valuation of all other non-current assets over their estimated useful lives. A full month's depreciation is charged in the month of acquisition of assets, but no depreciation is charged in the month of disposal of the assets.

The Probation Board has capitalised its non-property assets at depreciated replacement cost. Donated assets have been capitalised at fair value on receipt. These are also revalued in same way as all other noncurrent assets as outlined below.

All non-current assets with the exception of land and buildings and assets under construction are revalued by reference to appropriate Office for National Statistics indices as a proxy for fair value. Revaluations are recognised on an asset-by-asset basis with no account taken of potential profit or loss on other non-current assets. A desk-based valuation of land and buildings is completed annually by Land and Property Services with a full professional valuation every 5 years. A full professional valuation was carried out as at 28 February 2013.

### **1.7 Leases**

All leases for land and buildings occupied by the Probation Board are considered to be operating leases. If finance leases were to exist, the assets would be capitalised at the commencement of the lease term at the fair value of the leased asset. The corresponding lease commitments would be shown as finance leases obligations within liabilities. Depreciation on capitalised leased assets would be charged in line with the depreciation policy for similar assets.

The leases in place within the Probation Board are classified as operating leases, where a significant proportion of the risks and rewards are held by the lessor. Rentals are charged to the net expenditure account over the period of the lease.

## **1.8 Pension Costs**

Most staff of the Probation Board are members of the Local Government Pension Scheme (NI). Further details regarding the operation of the pension scheme are contained in the pensions section of note 3, note 5 and note 14 to the accounts.

## **1.9 Early Departure Costs**

The Probation Board is required to provide in full for the cost of paying pensions of employees who retire early from the date of their retirement until the pension is no longer due to the individuals or their spouses.

Payments during the year in respect of these individuals are charged to the provision. Each year the provision is recalculated and restated if necessary with any under or over provision charged or credited to Other Operating Costs. This is part of the IAS19 actuarial valuation and it is shown in Note 14– Pension Commitments.

## **1.10 Provisions**

The Probation Board provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

## **1.11 Contingent Liabilities**

Contingent liabilities are disclosed in accordance with IAS 37.

## **1.12 Assets classified as held for sale**

Noncurrent assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to complete within one year of the classification.



### **1.13 Grants for Community Development**

Grants paid to community bodies are part of the ordinary activities of the Probation Board and are charged to Other Expenditure as incurred. Grants are offered and issued in accordance with the Probation Board's grant terms, conditions and finance instructions. Community bodies are required to incur all expenditure by the Probation Board's financial year end. There are no unclaimed grants at year end.

### **1.14 Insurance**

Except where there is a statutory requirement to do so, the Probation Board does not take out general insurance. Instead, expenditure in connection with uninsured risks is charged as incurred.

### **1.15 Notional Costs**

There are no notional costs relating to the running of the Probation Board

### **1.16 Financial Instruments**

Financial assets and liabilities are recognised when the Probation Board becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the Probation Board no longer has rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

#### **1.16.1 Financial Assets**

##### **Trade and other receivables**

Financial assets within trade and other receivables are recognised and retained at invoiced cost which is considered to equate to fair value as the contractual obligations are short term in nature and based on standard invoiced prices. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Bank overdrafts are included within loans and other borrowings in current liabilities on the statement of financial position.

## **Impairment of financial assets**

The Probation Board assess at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Net Expenditure Account.

### **1.16.2 Financial Liabilities**

#### **Trade and other payables**

Financial liabilities within trade and other payables are recognised and retained at invoiced cost which is considered to equate to fair value as all such liabilities are short term in nature.

### **1.17 Employee Benefits**

Under IAS 19 an employing entity should recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for the service. The Probation Board has recognised annual leave entitlements that have been earned by year end but not yet taken. These are included in current liabilities.

### **1.18 Segmental Reporting**

In line with the provisions of IFRS 8: Operating Segments, the Probation Board does not analyse its net expenditure by operating segment as it has concluded that it has no separately identifiable operating segments. This conclusion is based on the Probation Board's current system/format of internal management reporting to the Director of Probation, Senior Management Team and Board, who consider financial performance at Probation Board level.

### 1.19 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Probation Board’s accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- (i) **Depreciation of property, plant and equipment**  
 Depreciation is provided in the accounts so as to write down the respective assets to their residual values over their expected residual lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are shown in Note 1.6.
- (ii) **Impairment of property, plant and equipment**  
 Where there is an indication that the carrying values of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.
- (iii) **Pension and other post-retirement benefits**  
 The Probation Board accounts for pension and other post-retirement benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of the pension scheme, a number of assumptions are used by the Actuary, these include the discount rate, salary growth, price inflation, the expected return on the schemes’ investments and mortality rates. Further details are contained in Note 15.
- (iv) **Calculation of employee benefits –** This calculation is based on a 10% sample of the workforce in the Probation Board, across all grades and specialisms. The sample results are then used as a basis for calculating an overall figure for the Probation Board.

### 1.20 Accounting standards, interpretations and amendments to published standards and *FReM* - issued and effective in 2014-15 for the first time

Standard	Comments
IFRS 10 - <i>Consolidated Financial Statements</i>	The International Accounting Standards Board (IASB) have issued new and amended Standards that affect the consolidation and reporting of subsidiaries,

<p>IFRS 11 - <i>Joint Arrangements</i></p>	<p>associates, joint ventures and investment entities. These standards are effective with EU adoption from 1 January 2014.</p>
<p>IFRS 12 - <i>Disclosure of Interests in Other Entities</i></p>	<p>Accounting boundaries for IFRS purposes are currently adapted in the <i>FReM</i> so that the Westminster departmental accounting boundary is based on Office of National Statistics control criteria, as designated by Treasury. A review of the Northern Ireland (NI) financial process, which will bring NI departments under the same adaptation, has been presented to the Executive, but a decision has yet to be made. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. Arm's Length Bodies (ALBs) apply IFRS in full and their consolidation boundary may change as a result of the new Standards.</p>
<p>IAS 27 - <i>Separate Financial Statements</i></p>	
<p>IAS 28 - <i>Investments in Associates and Joint Ventures</i></p>	
	<p>With the continuation of current adaptations, the impact on departments mainly relates to the disclosure requirements under IFRS 12.</p>

**1.21 Accounting standards, interpretations and amendments to published standards not yet effective**

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the accounting periods beginning on or after 1 April 2015 or later periods, but which PBNI has not adopted early. Other than as outlined in the below, PBNI considers that these standards are not relevant to its operations.

<b>Standard</b>	IFRS 13 - <i>Fair Value Measurement</i> (new)
<b>Description of revision</b>	<p>IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise).</p> <p>The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. The standard requires fair value be measured using the most reliable data and inputs available to determine the exit price for an asset / liability. This exit price is taken to be the price that two market participants (a buyer and seller) would settle on - based on a hierarchy for input quality. Entities are required to use the most appropriate inputs available to them in determining fair value. The inference is that the higher the quality, the more appropriate the input.</p> <p>IFRS 13 requires additional disclosures where Level 3 inputs are used to assess fair value, to give readers an understanding of the sensitivity of the valuation to changes in those inputs.</p>
<b>Effective date</b>	1 January 2013 (EU adopted) - <i>FReM</i> 2015-16.
<b>Comments</b>	Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13.

<b>Standard</b>	IAS 36 - <i>Impairment of assets - recoverable amount disclosures</i> (amendment)
<b>Description of revision</b>	This amendment, which seeks to address the implications of references to IFRS 13, modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It clarifies the scope of certain disclosures and removes burdensome and unintended disclosures requirements without reducing the relevance and understandability of the financial information.
<b>Effective date</b>	1 January 2014 (EU adopted) – with a view to include in the final version of the 2015-16 <i>FReM</i> .
<b>Comments</b>	To be considered by HM Treasury with the expectation that it will be applied when IFRS 13 is introduced in the <i>FReM</i> . Any adaptations or interpretations will follow due process and be included in the final version of 2015-16 <i>FReM</i> .

### Financial Reporting - Future Developments

In addition to the changes identified above, there are a number of future developments that will impact PBNi including:

<b>Standard (amendment/new)</b>	<b>Effective date and <i>FReM</i> application</b>	<b>Description of revision</b>	<b>Comments</b>
IFRS 15 - <i>Revenue from Contracts with Customers</i>  (IAS 18 replacement - <i>Revenue Recognition and Liabilities Recognition</i> )	1 January 2017 (not yet EU adopted) but could be 1 January 2018.  With a view to include in the 2017-18 <i>FReM</i> .	The disclosure objective of the new Standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The core principle recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Standard sets out five steps to recognise revenue and also includes requirements for accounting for contract costs.	The introduction of IFRS 15 is subject to analysis and review by HM Treasury and other Relevant Authorities. A work plan recently began to assess the impact on the public sector.
IFRS 9 - <i>Financial Instruments</i> (new)	1 January 2018 (not yet EU adopted).  With a view to include in the 2018-19 <i>FReM</i> .	The objective of the new standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments.	The introduction of IFRS 9 is subject to analysis and review by HM Treasury and other relevant Authorities. A work plan has recently started to assess the impact on the public sector.

Standard (amendment/new)	Effective date and <i>FReM</i> application	Description of revision	Comments
IAS 17 <i>Leases</i> (replacement)	The IASB plans to issue the new Standard before the end of 2015.  <i>FReM</i> inclusion will be subject to consultation.	The current proposals include the elimination of the current operating lease categorisation for virtually all leases. Instead, assets and liabilities will be recognised on a 'right of use' basis. Two possible exemptions are anticipated, one being for short leases (less than 1 year) and the second being for small value assets.  The latest update emphasises that service contracts are not required to be capitalised on the balance sheet and that the new Standard will include accompanying guidance to help entities assess whether a contract is (or contains) a lease.	HM Treasury has continued to analyse this process including the project update and consideration of practical implications. HM Treasury and Relevant Authorities will review the implications and follow due process once there is a final Standard.
IAS 1 - <i>Disclosure Initiative</i> (amendment)	1 January 2016 (not yet EU adopted)  With a view to include in the 2016-17 <i>FReM</i> .	These amendments encourage professional judgement to be used in determining what information to disclose in financial statements, and where and in what order information is presented in the financial disclosures. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	HM Treasury and other Relevant Authorities will review the implications of this amendment and follow due process nearer to the EU adoption date. Any substantive changes to the <i>FReM</i> will follow normal due process.
IAS 16 and IAS 38 - <i>Clarification of acceptable methods of depreciation and amortisation</i> (amendment)	1 January 2016 (not yet EU adopted)  With a view to include in the 2016-17 <i>FReM</i> .	This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.	HM Treasury and other Relevant Authorities will review the implications of these changes and follow due process nearer to the EU adoption date. Any substantive changes to the <i>FReM</i> will follow normal due process.

PBNI has considered the remaining additional or revised accounting standards and new (or amendments to) interpretations contained within *FReM* 2015-16. PBNI considers that these changes are not relevant to its operations.

## 2. INCOME

	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income from Activities</b>		
Other DoJ Income – Criminal Confiscation Receipts	14	13
NI Prison Service	1,648	1,793
Secondment	274	192
Other Income	182	75
	<u>2,118</u>	<u>2,073</u>

Other DoJ Income – Criminal Confiscation Receipts – Funding of £14k was provided by the DoJ. This related to amounts received by the Department from the Assets Recovery Community Scheme in relation to proceeds of crime and dispersed to DoJ organisations for payment to the community and voluntary sector on receipt of approved applications.

Prison Service - £1,648k as per Service Level Agreement between the Probation Board and the NI Prison Service for the provision of social welfare services in prisons and young offenders' centres as set out in the Probation Board (Northern Ireland) Order 1982.

Secondment - £274k represents salary and travel income of seconded staff and student placement fees. It also includes the reimbursement of Mr Brian McCaughey's (the previous Director of Probation) salary costs, who worked under the direction of the Northern Ireland Prison Service during the financial year.

Other Income - £182k reflects receipts for grant funding income re-directed to community grants and additional receipts for rebates on rates and utilities expenditure for offices which closed during 2014-

15

### 3. STAFF COSTS AND NUMBERS

	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	10,907	11,898
Social security costs	879	1,106
Employer service cost	2,886	3,061
Other pension costs	45	5
<b>SUB TOTAL</b>	<b>14,717</b>	<b>16,070</b>
Board members' remuneration and expenses	105	105
Inward secondments	112	121
Agency/Temporary staff	164	326
<b>TOTAL</b>	<b>15,098</b>	<b>16,622</b>
Less recoveries in respect of outward secondments	(274)	(192)
<b>TOTAL</b>	<b>14,824</b>	<b>16,430</b>

The staff on outward secondments have been excluded from staff numbers. Staff on outward secondments includes the recovery of Mr Brian McCaughey's (the previous Director of Probation) salary costs, who worked under the direction of the Northern Ireland Prison Service during the financial year.

The average number of staff employed by the Probation Board during 2014-15 together with details of staff costs were as follows:

	<b>No.s</b>	<b>Gross Emols</b>	<b>Employers Nat. Ins.</b>	<b>NILGOSC Current service costs</b>	<b>Total Costs 2014-15</b>	<b>Total Costs 2013-14</b>	<b>No.s 2013-14</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Staff	351	10,907	879	2,931	14,717	16,070	387
Temporary Agency Staff	6	164	-	-	164	326	18
Inward Secondments	3	112	-	-	112	121	2
<b>Totals</b>	<b>360</b>				<b>14,993</b>	<b>16,517</b>	<b>407</b>
<b>Board Costs</b>					<b>105</b>	<b>105</b>	
<b>Grand Total Costs</b>					<b>15,098</b>	<b>16,622</b>	



## Pensions

The Probation Board is an Employing Authority within the scheme provided by the Local Government Pension Scheme (NI). Membership of the scheme is optional for employees, but in practice almost all staff opt into this pension provision arrangement.

Staff employed under National Negotiating Council based conditions (that is probation grades) contribute a % of remuneration, dependent on the level of that pensionable remuneration. The bandings for 2014-15 were as follows:

### Contribution Rate

Band Range	Contribution Rate
Up to £14,000	5.50%
£14,000.01 - £16,500	5.80%
£26,500.01 - £21,300	5.90%
£21,300.01 - £35,600	6.50%
£35,600.01 - £47,700	6.80%
£47,000.01 - £89,400	7.20%
More than £89,400	7.50%

The employer's contribution is determined by the Committee's Actuary every 3 years and for 2014-15 year was 20% of remuneration. Staff employed under the conditions based on those of the NICS (Administrative Staff) contributed 1.5% and the Probation Board's contribution ranged from 24.3% to 25.3%.

Pension benefits are provided through the Local Government Pension Scheme (NI). This is a committee based scheme open to all permanent and temporary staff aged over 16 and provides benefits on final salary basis. Any membership built up to 31 March 2009 will provide an annual pension based on 1/80<sup>th</sup> of the final year's pensionable pay and an automatic tax-free lump sum of three times the pension. Membership built up after 31 March 2009 but before 31 March 2015 will provide an annual pension based on 1/60<sup>th</sup> of the final year's pay. There is still the option to convert annual pension to lump sum subject to HMRC limits.

Membership built up from 01 April 2015 will provide an annual pension based on 1/49<sup>th</sup> of the annual pensionable pay. This new pension scheme, called LGPS (NI) 2015 is a career average scheme.

On death, pensions are payable to the surviving spouse for a short-term period of 3 months payable at the rate of the member's pensionable remuneration at the date of death. Provided that the deceased member had statutory pension entitlement this is followed by a long-term pension which is

payable for life. The calculation is 50% of the deceased's benefits had they taken early retirement. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension.

The Local Government Pension Scheme (NI) is a multi-employer defined benefit scheme. The Probation Board's contributions are affected by a surplus or deficit in the scheme. The most recent full actuarial valuation was completed as at 31 March 2013. An employer contribution rate of % has been proposed for year commencing 1 April 2015. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### 4. GRANTS FOR COMMUNITY DEVELOPMENT

Grants in respect of schemes for the supervision and assistance of offenders and the prevention of crime:-

	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grants over £100,000</b>		
Northern Ireland Association for the Care & Resettlement of Offenders <sup>1</sup>	284	312
Extern <sup>2</sup>	120	114
Women's Aid Federation <sup>3</sup>	158	99
DOJ Family Support <sup>4</sup>	100	-
<b>Grants £50,001 - £100,000</b>	-	-
<b>Grants £25,001 - £50,000</b>		
Must Hostel	35	42
R.E.A.C.T	48	37
Breakthru Drugs Awareness	40	55
Community Restorative Justice	37	40
Addiction NI (formally NI Community Addiction Service)	-	38
West Belfast Parent and Youth Support Group	45	42
New Life Counselling	-	31
<b>Grants up to £25,000<sup>5</sup></b>	323	485
	<b><u>1,190</u></b>	<b><u>1,295</u></b>

<sup>1</sup> Northern Ireland Association for the Care & Resettlement of Offenders - Funding includes £15,000 from the Assets Recovery Community Scheme allocated to JobTrack programme and £29,000 to APAC Rural North Antrim.

<sup>2</sup> Extern Organisation - Funding includes £15,000 from the Assets Recovery Community Scheme

<sup>3</sup> Women's Aid Federation - Funding includes £67,000 from Department of Justice and the Department of Health, Social Services & Public Safety specifically to address issues around Domestic Violence.

<sup>4</sup> Family Support Funding paid as a grant to DOJ of £100,000

<sup>5</sup> Stadium Youth - Funding includes £13,740 from the Assets Recovery Community Scheme

**5. OTHER OPERATING COSTS**

	<b>2014-15 £'000</b>	<b>2013-14 £'000</b>
<i>Other operating costs include:</i>		
Staff related costs	522	678
Rentals under operating leases	705	769
Accommodation costs	906	851
Office services	728	773
Contracted out services	249	259
Professional costs	252	235
Audit and accountancy fees	28	34
Managed services	2	6
Consumables, materials and equipment costs	127	103
Commissions and tribunal costs	35	60
Non-capital purchases	8	28
Client and other programme operating costs	76	132
Loss on disposal of non-current assets	14	8
Impairment	5	19
Provision costs for year	(52)	95
Other	47	28
Pension borrowing costs	246	417
Pension administration costs	33	34
	<u><b>3,931</b></u>	<u><b>4,529</b></u>

**6. INTEREST PAYABLE AND RECEIVABLE**

	<b>2014-15 £'000</b>	<b>2013-14 £'000</b>
Interest payable	-	13
Interest receivable	(5)	(3)
	<u><b>(5)</b></u>	<u><b>10</b></u>

Interest receivable during the year is that on loans issued to essential car users from the Assisted Car Purchase Scheme (see note 7).

## 7. FINANCIAL ASSETS

	<b>2014-15</b> <b>£'000</b>	<b>2013-14</b> <b>£'000</b>
Loan Principal due at 1 April	52	29
Loans made during year	17	45
Principal repaid during year	(29)	(22)
Loan Principal due at 31 March	<u>40</u>	<u>52</u>
Non Current asset	20	28
Current asset	<u>20</u>	<u>24</u>
	<u>40</u>	<u>52</u>

At 31 March 2015,16 officers had outstanding car loans (17 at 31 March 2014).

## 8. PROPERTY, PLANT AND EQUIPMENT

Land and Property Services carried out a valuation of land and buildings at 28 February 2015. There was no significant change in this valuation during March 2015. A full professional valuation was carried out at 28 February 2013 and the next one will be carried out at 28 February 2018. The valuations have been made in accordance with the Appraisal and Valuation Manual prepared and published by the Royal Institution of Chartered Surveyors on the basis of Existing Use Value or Open Market Value as appropriate.

The market value of land and buildings is £1,754k and this is also the existing use value. Included within land and buildings is land valued at £647k, which is non-depreciable.

**8. PROPERTY, PLANT AND EQUIPMENT**

2014-15 Note	Land £'000	Buildings & Dwellings £'000	Motor Vehicles £'000	Plant and Machinery £'000	Office Machinery and equipment £'000	Computer Hardware £'000	Telecoms and networks £'000	Furniture and Fittings £'000	Payments on Account £'000	Total £'000
<b>Cost/ Valuation</b>										
At 1 April 2014	647	4,186	40	70	591	1,402	80	66	-	7,082
Additions	-	143	27	8	30	158	52	1	-	419
Disposals	-	(882)	-	-	(65)	(174)	-	(7)	-	(1,128)
Indexation	-	41	-	-	5	-	-	-	-	46
Impairment	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>647</b>	<b>3,488</b>	<b>67</b>	<b>78</b>	<b>561</b>	<b>1,386</b>	<b>132</b>	<b>60</b>	<b>-</b>	<b>6,419</b>
<b>Depreciation</b>										
At 1 April 2014	-	3,079	40	53	421	1,033	71	42	-	4,739
Charged in year	-	141	-	5	48	134	2	5	-	335
Disposals	-	(879)	-	-	(58)	(172)	-	(5)	-	(1,114)
Indexation	-	13	-	-	3	-	-	-	-	16
Impairment	-	-	-	-	-	-	-	-	-	-
Revaluation	-	(35)	-	-	-	-	-	-	-	(35)
<b>At 31 March 2015</b>	<b>-</b>	<b>2,319</b>	<b>40</b>	<b>58</b>	<b>414</b>	<b>995</b>	<b>73</b>	<b>42</b>	<b>-</b>	<b>3,941</b>

**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

2014-15 Note	Land £'000	Buildings & Dwellings £'000	Motor Vehicles £'000	Plant and Machinery £'000	Office Machinery and equipment £'000	Computer Hardware £'000	Telecoms and networks £'000	Furniture and Fittings £'000	Payments on Account £'000	Total £'000
Carrying amount at 31 March 2015	647	1,169	27	20	147	391	59	18	-	2,478
Carrying amount at 31 March 2014	647	1,107	-	16	170	370	10	23	-	2,343

**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

2013-14 Note	Land	Buildings & Dwellings	Motor Vehicles	Plant and Machinery	Office Machinery and equipment	Computer Hardware	Telecoms and networks	Furniture and Fittings	Payments on Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/ Valuation</b>										
At 1 April 2013	760	4,044	40	62	580	1,460	73	66	-	7,085
Additions	-	65	-	10	12	62	8	1	-	158
Disposals	-	-	-	(1)	(10)	(116)	-	(2)	-	(129)
Indexation	-	91	-	-	8	(3)	-	-	-	96
Impairment	(4)	-	-	-	-	-	-	-	-	(4)
Revaluation	(109)	(14)	-	-	-	-	-	-	-	(123)
<b>At 31 March 2014</b>	<b>647</b>	<b>4,186</b>	<b>40</b>	<b>71</b>	<b>590</b>	<b>1,403</b>	<b>81</b>	<b>65</b>	<b>-</b>	<b>7,083</b>
<b>Depreciation</b>										
At 1 April 2013	-	2,853	40	48	375	987	63	38	-	4,404
Charged in year	-	203	-	8	50	162	8	5	-	436
Disposals	-	-	-	(1)	(9)	(114)	-	(1)	-	(125)
Indexation	-	57	-	-	4	(2)	-	-	-	59
Impairment	-	-	-	-	-	-	-	-	-	-
Revaluation	-	(34)	-	-	-	-	-	-	-	(34)
<b>At 31 March 2014</b>	<b>-</b>	<b>3,079</b>	<b>40</b>	<b>55</b>	<b>420</b>	<b>1,033</b>	<b>71</b>	<b>42</b>	<b>-</b>	<b>4,740</b>



**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

2013-14 Note	Land	Buildings & Dwellings	Motor Vehicles	Plant and Machinery	Office Machinery and equipment	Computer Hardware	Telecoms and networks	Furniture and Fittings	Payments on Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount at 31 March 2014</b>	647	1,107	-	16	170	370	10	23	-	2,343
<b>Carrying amount at 31 March 2013</b>	760	1,191	-	14	205	473	10	28	-	2,681

## 9. INTANGIBLE ASSETS

<b>2014-15 Note</b>	<b>Software Licences £'000</b>
<b>Cost/Valuation</b>	
At 1 April 2014	952
Indexation	1
Additions	62
Disposals	-
At 31 March 2015	<u>1,015</u>
<b>Amortisation</b>	
At 1 April 2014	902
Indexation	-
Charged in Year	23
Disposals	-
At 31 March 2015	<u>925</u>
<b>Net Book Value</b>	
At 31 March 2015	<u>90</u>
At 31 March 2014	<u>50</u>

## 9. INTANGIBLE ASSETS (Continued)

<b>2013-14 Note</b>	<b>Software Licences £'000</b>
<b>Cost/Valuation</b>	
At 1 April 2013	903
Revaluation	2
Additions	47
Disposals	-
At 31 March 2014	952
<b>Amortisation</b>	
At 1 April 2013	876
Revaluation	-
Charged in Year	26
Disposals	-
At 31 March 2014	902
<b>Net Book Value</b>	
At 31 March 2014	50
At 31 March 2013	27

## 10. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>2015 £'000</b>	<b>2014 £'000</b>
Assets held for sale	75	80

The asset held for sale is a property owned by the PBNI in Antrim which is no longer in operational use and is for sale on the open market. At 31 March 2015 this property was valued at £75k (£80k at March 2014). This is shown separately under the requirements of IFRS 5.

## 11. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade receivables	241	175
Prepayments and accrued income	296	201
HM Revenue and Customs	-	90
	<u>537</u>	<u>466</u>

### 11.1 INTRA-GOVERNMENT BALANCES

	Due within one year	Due after more than one year	Due within one year	Due after more than one year
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Balances with other central government bodies	178	-	116	-
Balances with local authorities		-	-	-
Balances with NHS bodies	13	-	22	-
Balances with public corporations and trading funds		-	-	-
<b>Intra government balances</b>	<b>191</b>	<b>-</b>	<b>138</b>	<b>-</b>
Balances with bodies external to government	345	-	328	-
<b>Total receivables at 31 March</b>	<b>537</b>	<b>-</b>	<b>466</b>	<b>-</b>

## 12. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
HM Revenue and Customs	515	-
Accruals and deferred income	1,948	1,060
	<u>2,463</u>	<u>1,060</u>

HMRC payables include NIC payments (483k), VAT accrual of secondee income (31k) and Corporation Tax on interest income from car loans (1k).

During 2014-15 HMRC reviewed PBNI income and confirmed that income from secondments that are carried out under statute or any special legal regime are outside the scope of VAT however there were two secondments which were liable to VAT. HMRC have confirmed that PBNI should therefore be registered for VAT from 1 April 2014. PBNI are currently working with HMRC and DOJ to register for VAT on those secondments liable to VAT and have accrued VAT liability and charges of £31k in 2014-15.

### 12.1 INTRA -GOVERNMENT BALANCES

	Due within one year	Due after more than one year	Due within one year	Due after more than one year	Due within one year	Due after more than one year
	2015 £'000	2015 £'000	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Balances with other central government bodies	515	-	-	-	111	-
Balances with local authorities	-	-	-	-	5	-
Balances with NHS bodies	-	-	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Intra government balances	-	-	-	-	-	-
Balances with bodies external to government	1,948	-	1,060	-	2,220	-
<b>Total payables at 31 March</b>	<b>2,463</b>	<b>-</b>	<b>1,060</b>	<b>-</b>	<b>2,336</b>	<b>-</b>

### 13. PROVISION FOR LIABILITIES AND CHARGES

	Legal Cost Provision £'000	2014-15 Total £'000	2013-14 Total £'000	2012-13 Total £'000
Balance at 1 April	182	182	191	169
Provided in the year	130	130	182	22
Provision utilised in the year	(182)	(182)	(191)	-
<b>Balance at 31 March</b>	<b>130</b>	<b>130</b>	<b>182</b>	<b>191</b>

The legal provision in 2014/15 relates to potential compensation payments and associated legal costs of personal injury claims against the Probation Board.

## **14. PENSION COMMITMENTS**

### **Introduction**

The Probation Board makes employer contributions to the Northern Ireland Local Government's Officers Superannuation Scheme (NILGOSC).

The disclosures below relate to the funded liabilities within the Northern Ireland Local Government Officers' Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (Northern Ireland) (the "LGPS").

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2015 being linked to final salary. Benefits after 31 March 2015 are based on a Career Average Revalued Earnings Scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'LGPS (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009' (as amended).

The unfunded pension arrangements relate to the termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (Northern Ireland) under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007.

### **Funding/Governance Arrangements of the LGPS**

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS (Administration) Regulations (Northern Ireland) 2009 (as amended) and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the period three year period from 1 April 2017.

The Fund Administering Authority, Northern Ireland Local Government Officers' Superannuation Committee is responsible for the governance of the Fund.

## **Assets**

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

## **Risks associated with the Fund in relation to accounting**

### **Asset volatility**

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

### **Changes in Bond Yield**

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

### **Inflation Risk**

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

## Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

## Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

### 14.1 Assumptions and sensitivity of results

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were as follows:

#### Financial Assumptions

	31/03/15	31/03/14	31/03/13	31/03/12	31/03/11
Inflation Increase Rate (CPI)	1.8%	2.4%	2.8%	2.5%	2.8%
Inflation Increase (RPI)	2.9%	3.4%	3.7%	3.3%	N/A
Salary Increase Rate	3.3%	3.9%	5.2%	4.8%	5.1%
Pension Increase Rate	1.8%	2.4%	2.8%	2.5%	2.8%
Discount rate	3.2%	4.3%	4.5%	4.8%	5.5%

#### Mortality

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.7 years
Future Pensioners	24.4 years	27.0 years



## Sensitivity of results

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 and the projected service costs for the year ending 31 March 2016 is set out below. This does not include sensitivity of unfunded benefits on materiality grounds.

<b>Discount rate assumption</b>		
Adjustment to discount rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£'000s)	96,875	100,590
% change in present value of total obligation	-1.9%	1.9%
Projected service cost (£'000s)	2,804	2,977
Approximate % change in projected service cost	-3.0%	3.0%
<b>Rate of general increase in salaries</b>		
Adjustment to salary increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£'000s)	99,374	98,064
% change in present value of total obligation	0.7%	-0.7%
Projected service cost (£'000s)	2,889	2,889
Approximate % change in projected service cost	0.0%	0.0%
<b>Rate of increase to pensions in payment and deferred pensions assumption</b>		
Adjustment to pension increase rate	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£'000s)	100,057	97,392
% change in present value of total obligation	1.4%	-1.3%
Projected service cost (£'000s)	2,977	2,804
Approximate % change in projected service cost	3.0%	-3.0%
<b>Post retirement mortality assumption</b>		
Adjustment to mortality age rating assumption*	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£'000s)	101,376	96,052
% change in present value of total obligation	2.7%	-2.7%
Projected service cost (£'000s)	2,984	2,794
Approximate % change in projected service cost	3.3%	-3.3%

\*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

## Statement of Financial Position Disclosures at 31 March 2015

### 14.2 Fair Value of employer assets

Year Ended:	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000	£'000
Equities	65,209	57,876	54,085	44,247	45,263
Government Bonds	5,092	4,602	7,798	8,371	8,230
Corporate Bonds	5,806	4,758	358	0	0
Property	11,255	8,736	5,509	4,783	3,527
Cash	1,787	2,028	3,362	2,392	1,763
Other	179	-	429	0	0
<b>Total</b>	<b>89,328</b>	<b>78,000</b>	<b>71,541</b>	<b>59,793</b>	<b>58,783</b>

The above assets' values as at 31 March 2015 are at bid value as required under IAS19. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line

with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

**14.3 Statement of Financial Position**

<b>Year Ended</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>	<b>31 March 2013 Restated £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Fair Value of Employer Assets	89,328	78,000	71,541	59,793	58,783
Present Value of Funded Liabilities	(98,715)	(84,628)	(81,848)	(69,150)	(63,269)
Net (Under)/Overfunding in Funded Plans	(9,387)	(6,628)	(10,307)	(9,357)	(4,486)
Present Value of Unfunded Liabilities	(186)	(176)	(194)	(174)	(158)
<b>Net Asset/(Liability)</b>	<b>(9,573)</b>	<b>(6,804)</b>	<b>(10,501)</b>	<b>(9,531)</b>	<b>(4,644)</b>
Amount in the Statement of Financial Position – Liabilities	9,573	6,804	10,501	9,531	4,644
<b>Net Asset/(Liability)</b>	<b>(9,573)</b>	<b>(6,804)</b>	<b>(10,501)</b>	<b>(9,531)</b>	<b>(4,644)</b>

**Statement of Comprehensive Net Expenditure Costs at 31 March 2015**

**14.4 Recognition in the Statement of Comprehensive Net Expenditure**

<b>Year Ended</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>
Current Service Cost (excluding Administration expense)	2,664	2,811
Administration expense	33	34
Past Service Cost (including curtailments)	222	250
Interest on net defined benefit liability	246	417
<b>Pension expense recognised in profit and loss</b>	<b>3,165</b>	<b>3,512</b>
Actual Return on Plan Assets	10,272	5,263

**14.5 Reconciliation of defined benefit obligation during the accounting period**

<b>Year Ended:</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>
<b>Opening Defined Benefit Obligation</b>	<b>84,804</b>	<b>82,042</b>
Current Service Cost	2,664	2,811
Administration Expense	33	34
Interest expense	3,618	3,664
Contributions by Members	601	649
Actuarial Losses/(Gains)	8,911	(2,684)
Past Service Costs/(Gains)	222	250
Losses/(Gains) on Curtailments	-	-
Estimated Unfunded Benefits Paid	(8)	(8)
Estimated Benefits Paid	(1,944)	(1,954)
<b>Closing Defined Benefit Obligation</b>	<b>98,901</b>	<b>84,804</b>

**14.6 Reconciliation of fair value of employer assets**

<b>Year Ended:</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>78,000</b>	<b>71,541</b>
Interest income on assets	3,372	3,247
Contributions by Members	601	649
Contributions by Employer	2,399	2,501
Contributions in respect of Unfunded Benefits	8	8
Actuarial Gains/(Losses)	6,900	2,016
Unfunded Benefits Paid	(8)	(8)
Benefits Paid	(1,944)	(1,954)
<b>Closing Fair value of Employer Assets</b>	<b>89,328</b>	<b>78,000</b>

**14.7 Amounts for the current and previous accounting periods**

<b>Year Ended:</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Fair Value of Employer Assets	89,328	78,000	71,541	59,793
Present Value of Defined Benefit Obligation	(98,715)	(84,628)	(82,042)	(69,324)
Surplus/(Deficit)	(9,387)	(6,628)	(10,501)	(9,531)
Experience Gains/(Losses) on Assets	6,900	2,016	7,577	(3,641)
Experience Gains/(Losses) on Liabilities	(373)	1,741	66	(593)
Actuarial Gains/(Losses) on Employer Assets	6,900	2,016	7,577	(3,642)
Actuarial Gains/(Losses) on Obligation	(8,911)	2,684	(8,017)	(1,798)
<b>Actuarial Gains/(Losses) recognised in SOCTE</b>	<b>(2,011)</b>	<b>4,700</b>	<b>(440)</b>	<b>(5,440)</b>

**14.8 Estimate of employer's contributions for financial year 2015-16- £3,154,000**
**15. ANALYSIS OF GENERAL FUND**

	<b>2014-15 £'000</b>	<b>2013-14 £'000</b>
General Fund including pension	(9,779)	(6,286)
Add back Pension Fund	9,573	6,804
General Fund excluding pension	<b>(216)</b>	<b>518</b>

## 16. RECONCILIATION OF NON-CURRENT ASSET ADDITIONS

	2014-15 £'000	2013-14 £'000
Non-current Asset Additions (Notes 8&9)	481	205
Opening Non-current Asset Payables	61	76
Closing Non-current Asset Payables	(405)	(61)
	<hr/>	<hr/>
<b>Cash Outflow in respect of Capital Expenditure</b>	<b>137</b>	<b>220</b>

## 17. CASH FLOW ADJUSTMENTS FOR NON - CASH TRANSACTIONS

	2014-15 £'000	2013-14 £'000
Depreciation and amortisation charge	358	462
Non-cash Pension Costs	2,886	3,061
Provision increase	(52)	94
Pension provision borrowing income	279	451
Impairment	5	19
Loss on Disposal of Non-Current Assets	14	8
	<hr/>	<hr/>
	<b>3,490</b>	<b>4,095</b>

## 18. CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000	2013 £'000
Commercial banks	(83)	(494)	(1,280)
Office bank/cash	27	28	27
	<hr/>	<hr/>	<hr/>
	<b>(56)</b>	<b>(466)</b>	<b>(1,253)</b>

## 19. CAPITAL COMMITMENTS

	2014-15 £'000	2013-14 £'000
Contracted capital commitments at 31 March 2015 not otherwise included in these financial statements		
Property, plant and equipment	120	21

This capital commitment reflects outstanding refurbishment works to Headquarters building in North Street.

## 20. IMPAIRMENT OF LAND AND BUILDINGS

	2014-15 £'000	2013-14 £'000
Impairment charge on Property, Plant and Equipment	-	4
Impairment charge on asset held for sale	5	15
	<u>5</u>	<u>19</u>

## 21. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under operating leases are analysed for each of the following periods.

Operating Leases	Land and Buildings £'000	Other £'000	2014-15 Total £'000	2013-14 Total £'000
Within one year	448	2	450	468
Between two and five years	1,549	2	1,551	705
After 5 years	650	-	650	850
<b>Total</b>	<b>2,647</b>	<b>4</b>	<b>2,651</b>	<b>2,023</b>

## 22. CONTINGENT LIABILITIES

There are currently 2 personal injury claims in which legal proceedings have been instituted or it has been indicated that proceedings may be brought.

There is a potential pension strain resulting from historic unsocial hours payments to PBNi staff, further pension advice is currently being sought in relation to this liability.

## 23. RELATED PARTY TRANSACTIONS

The Probation Board is a Non-Departmental Public Body sponsored by the Department of Justice. The Department of Justice is regarded as a related party for the year 2014-15. During the year the Probation Board had various transactions with the Department and other entities for which the Department of Justice was regarded as the parent Department, i.e. NI Prison Service as disclosed in Note 2.

To capture information on related party transactions, the Probation Board has circularised Members and Senior Management. Due to the nature of the Probation Board's operations and the composition of the Board, it is inevitable that transactions will take place with organisations in which a Member of

the Board or Senior Manager may have an interest. All such transactions are conducted at arm's length and in accordance with the Probation Board's policies. The Register of Interests is available on the Probation Board website [www.pbni.org.uk](http://www.pbni.org.uk).

**The following Related Party Transactions were incurred during the year:**

Mrs. Julie Erskine, a member of the Board, is also a Committee Member of the Northern Ireland Social Care Council. The Probation Board has received income of £13k relating to student placements in 2014-15. Mrs Erskine was not involved in the decision making process for this transaction.

Mrs. Julie Erskine is also a member of the Northern Ireland Local Government Superannuation Committee (NILGOSC) who oversee pension investments for serving and former PBNI employees. PBNI paid £2,759k to NILGOSC in 2014-15 in the form of employer contributions. Mrs Erskine was not involved in any matters relating to pension.

Mrs Julie Erskine is Acting Chair of the Public Health Agency from December 2014. PBNI received funding of £50k from DHSSPSNI for the Domestic Violence perpetrator programme. Mrs Erskine was not involved in the decision making process for this transaction

Dr Michael Wardlow, a member of the Board, is a Senator at Queen's University, Belfast. During 2014-15 £1k was paid to the university in fees for employees engaged in further education. Dr Wardlow was not involved in the decision making process for this transaction.

Mrs Marian O'Rourke, a member of the Board, is also an employee of the Northern Ireland Social Care Council. The Probation Board has received income of £13k relating to student placements in 2014-15. Mrs O'Rourke was not involved in the decision making process for this transaction.

Mr David Brown, a member of the Board, is also a Board member in the Youth Justice Agency. The Probation Board received income of £10k from the Youth Justice Agency relating to a Duke of Edinburgh secondment in 2014-15. Mr Brown was not involved in the decision making process for this transaction.

**24. KEY FINANCIAL TARGETS**

There were no key financial targets for the Probation Board.

## 25. FINANCIAL INSTRUMENTS: DISCLOSURES

IFRS7, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Due to the non-trading nature of its activities and the way in which executive Non-Departmental Public Bodies are financed, the Probation Board is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS7 mainly applies. The Probation Board has no powers to invest funds and has limited year end flexibility. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Office in undertaking its activities. As permitted by IFRS7, receivables and payables which mature or become payable within 12 months from the statement of financial position date have been excluded from this disclosure.

### Liquidity Risk

The Probation Board's revenue resource requirements are financed by resources voted annually by the NI Assembly, just as its capital expenditure largely is. The Probation Board is not therefore exposed to significant liquidity risk.

### Interest Rate Risk

The Board has no loans on which interest is payable and is therefore not exposed to any significant interest rate risk.

### Foreign Currency Risk

The Probation Board has no foreign currency income and expenditure is restricted to secondee payments and some other operating costs. It is not therefore exposed to significant foreign currency risk.

### Fair Values

The book values and fair values of the Probation Board's financial assets and financial liabilities as at 31 March 2015 are set out below:

<b>Primary Financial Instruments</b>	<b>Book Value</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets:</b>		
Receivables amount due after one year	20	20



**Financial liabilities:**

Cash and cash equivalents	-	-
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**26. LOSSES STATEMENT**

	<b>2014-15</b>	<b>2013-14</b>
Total Losses	(2 cases) £29k	(3 cases) £1 k

This largely related to one abandoned claim relating to a Northern Ireland Prison Service undercharge during financial years 2012/13 and 2013/14.

**27. EVENTS AFTER THE REPORTING PERIOD**

On Monday 27 April 2015 the probation office at Crawford Square, Londonderry sustained fire bomb damage. The exact quantum of the damage is currently being assessed as is the level of threat assessment. There could be potential enhanced security measures required to this office, other offices and potentially greater security costs for staff.

**28. DATE AUTHORISED FOR ISSUE**

The Accounting Officer authorised these financial statements for issue on 19 June 2015.

## CONTACT DETAILS

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Victim Information Scheme

0300 1233269

### PBNI Offices

Armagh

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Ballymena

028 2565 2549

Belfast

Assessment Unit, HQ

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ISU, Alderwood

028 9064 4953

Public Protection Team

028 9025 9576

North - Antrim Road

028 9075 7631

East - Newtownards Road

028 9073 9445

South - Ormeau Road

028 9064 7156

West - Andersonstown Road

028 9060 2988

Coleraine

028 7035 3141

Dungannon

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Enniskillen

028 6632 4383

Lisburn

028 9267 4211

Crawford Square, Londonderry

028 7126 4774

Limavady Road, Londonderry

028 7134 6701

Magherafelt

028 7963 3341

Newry

028 3026 3955

Newtownards

028 9181 7778

Omagh

028 8224 6051

Portadown

028 3833 3301

### Prison Teams

H M P Maghaberry

028 9261 6772

H M P Magilligan

028 7775 0434

H M YOC & P Hydebank

028 9049 4100

This document can be made available, upon request, in alternative formats (including large print, Braille, disk, audio tape) or in other languages to meet the needs of those who are not fluent in English. Requests for alternative formats can be made to the Probation Board using the following contact information:

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